

THE EFFECTS OF CHINESE ECONOMIC AND IMMIGRATION  
PATTERNS IN NIGERIA FROM 2000 TO 2013

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MASTER OF MILITARY ART AND SCIENCE  
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## ABSTRACT

THE EFFECTS OF CHINESE ECONOMIC AND IMMIGRATION PATTERNS IN NIGERIA FROM 2000 TO 2013, by MAJ John D. Lamkin, 83 pages.

Nigeria is the dominant regional power in West Africa. China became a formidable presence in Africa during the 21<sup>st</sup> century. The two countries significantly expanded their economic relationship between 2000 and 2013. During this period, China invested heavily in Nigerian infrastructure while Chinese expatriates immigrated to Nigeria and established businesses in that country. Accordingly, Nigeria imported tens of billions of dollars worth of Chinese goods and services.

This study examines how China's expansion into West Africa is affecting Nigeria. The research focuses on three main areas. First, it discusses the ways in which China is influencing Nigeria through economic investment and the immigration of Chinese nationals. Second, it analyzes how Chinese involvement is affecting Nigeria's economy and social stability. Third, the study compares Chinese investment and immigration in Nigeria with other countries in sub-Saharan Africa.

Based on analysis of the available data, this study develops conclusions regarding Nigeria's relationship with China and how it compares to those of other nations in sub-Saharan Africa. The study then offers observations that describe a model for Chinese economic patterns in developing nations and considers the implications of that model for the United States and the world.

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## ACRONYMS

CFR	Council for Foreign Relations
FDI	Foreign Direct Investment
FY	Fiscal Year
GDP	Gross Domestic Product
IMF	International Monetary Fund
UN	United Nations
UNECA	United Nations Economic Commission for Africa
UNESCO	United Nations Educational, Scientific and Cultural Organization
USAID	United States Agency for Economic Development

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## CHAPTER 1

### INTRODUCTION

China and Nigeria share the same goal of achieving prosperity for both countries, and this shared task brings our two countries together.<sup>1</sup>

— Xi Jinping, *Al Jazeera*

The globalization of the world economy increases with each passing decade. As a result, competition becomes increasingly fierce between industrialized nation states for access to new trade markets and critical resources. During the past three decades, China has established itself as a globally competitive economic power. Africa's growing population and abundant resources make the continent a must-win, must-keep territory for "China, Inc." As the most populous country in Africa and a major oil producer, Nigeria is an important component of China's efforts to become the leading foreign influence in Africa.

This thesis will determine the ways China is influencing Nigeria through both economic investment and immigration, analyze how that influence is affecting Nigeria's economy and social stability, and discuss how China's involvement in Nigeria compares to its efforts in other West African nations. The introduction to this thesis included in Chapter 1 includes two parts. The first part provides a general background and history of Nigeria and China relative to this research. The second part describes the main components of the research to include the problem statement, primary and secondary

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<sup>1</sup>Al Jazeera, "Nigerian Leader Secures \$1.1bn On China Trip," 10 July 2013, <http://www.aljazeera.com/news/africa/2013/07/2013710171651692540.html> (accessed 4 January 2014).

research questions as well as other relative information included within formal research approaches.

### Background

This section will discuss Nigeria's current political environment, its economic performance from 2000 to 2013, and the country's internal security situation. This section will also provide brief overviews of China's economic involvement in Africa since 1949 as well as China's relationship with Nigeria since 2000.

### Nigeria's Current Political Environment

Nigeria is a federal constitutional republic comprised of 36 states and the capital city, Abuja (see figure 1). Nigeria is the 14th largest African nation by landmass, but with 178 million people it is the largest country by population, more than double the second most populated nation on the continent. In 1914, the British created the Nigerian colony out of three culturally distinct adjacent territories on the west coast of Africa. The colony contained hundreds of different ethnic groups, of which three were most prevalent: the Hausa-Fulani in the north, the Yoruba in the west, and the Igbo in the east. The southern population of Nigeria absorbed Western influences and were mostly Christian, while ethnic groups in the north acquired the Islamic faith from past emirates. Importantly, the British propped up the Sokoto caliphate in northern Nigeria and allowed Islam in the north to flourish without interference from Christian missionaries. Due to the distinct

cultures in the north and the south, the British governed the two halves of Nigeria separately until they formed the constitution for an independent Nigeria.<sup>2</sup>

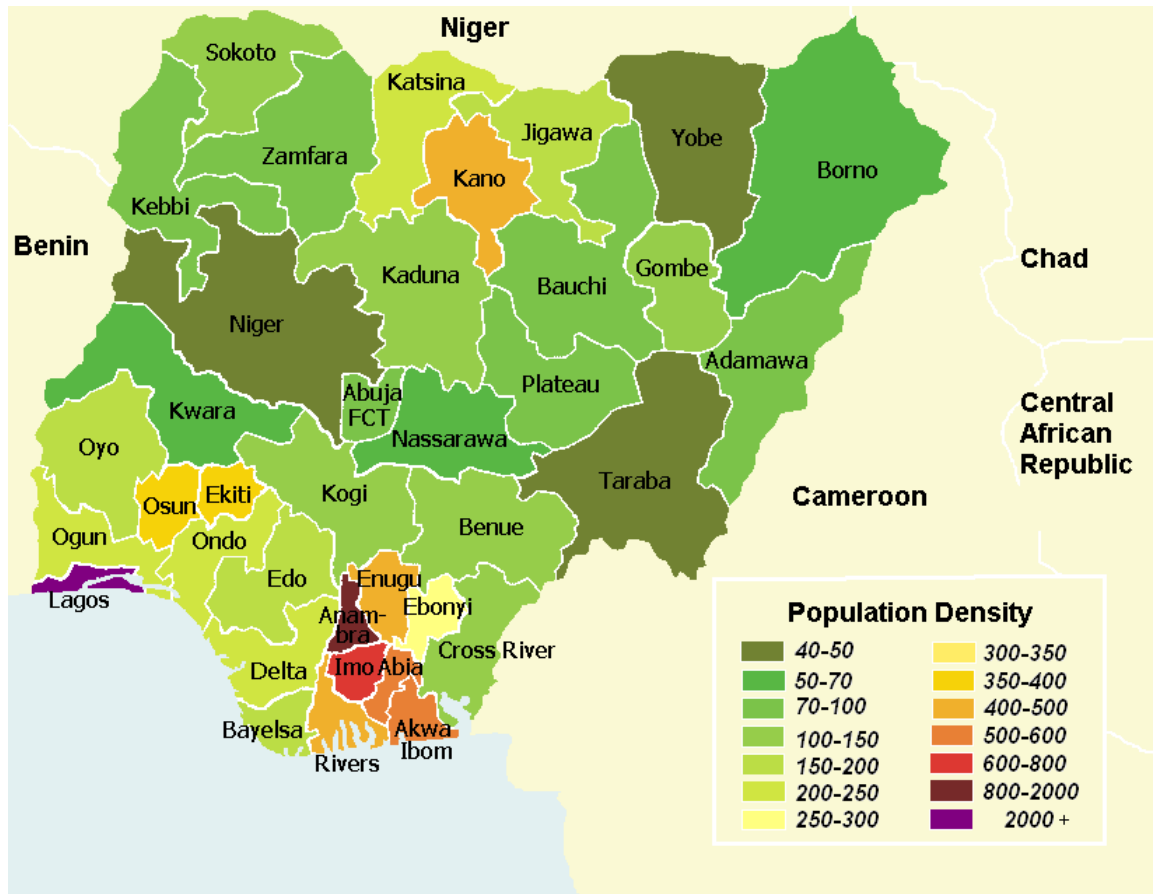


Figure 1. Political Map of Nigeria

Source: Wikipedia, *Nigeria*, <http://en.wikipedia.org/wiki/Nigeria> (accessed 2 May 2014).

The British government under Prime Minister Harold Macmillan granted Nigeria independence in 1960, bringing freedom to one-fifth of the inhabitants of sub-Saharan

<sup>2</sup>John Campbell, *Nigeria: Dancing on the Brink* (Lanham, MD: Roman and Littlefield, 2011), 1, 3.

Africa. Before they left, the British created the foundation for an independent Nigeria. They envisioned their former colony as a “huge nation of numerous ethnic groups and religions united by democracy, pursuit of economic development, governance according to the rule of law, and the occupation of an important place on the world stage.”<sup>3</sup>

Despite the best efforts to form a united country, post-independence Nigeria remained ethnically fractured. In 1967, a combination of ethnic tensions and desires to control the revenues from newly exploited oil and gas reserves led to a civil war that lasted until 1970. During the civil war, four of the five senior military officers in the north were assassinated and reprisals against the Igbos and Christians in the north forced many Igbos to flee to the south. The Igbos temporarily seceded from Nigeria and formed the state of Biafra. The Nigerian military forced the surrender of Biafra in 1970 and Nigeria was reconstituted at the cost of between half a million and a million lives. Ethnic tensions between Christians and Muslims, however, remained.<sup>4</sup>

A rapid succession of military coups and sporadic civilian rule followed for the next twenty-eight years. During this time, Nigeria suffered from unbridled corruption and repression. In 1998, the Nigerian elites grew tired of the repercussions of the repressive pattern of rule, formed an interim military government, and coalesced power within the People’s Democratic Party (PDP). The PDP became the dominant political party in Nigeria. With their backing, retired general Olusegun Obasanjo was elected president in

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<sup>3</sup>Ibid., 5.

<sup>4</sup>Ibid., 6-7.

1999.<sup>5</sup> Since then, Nigeria has been ruled by an alternating succession of Christian and Muslim leaders aligned with the PDP in a government with theoretically equal branches. In reality, however, the Nigerian government remains infected with patronage, regional affiliation, and corruption.

The president of Nigeria as of December 2013 is Goodluck Jonathan, a Christian from the Ijaw ethnic group and a member of the PDP. Jonathan assumed the presidency in 2010 and won re-election in 2011.<sup>6</sup> As president, Jonathan made infrastructure improvements and increasing employment in Nigeria priorities, but experienced mixed success with both. He also struggled to control insurgent violence in northern and central Nigeria, despite declaring a state of emergency in three northern states.<sup>7</sup> Jonathan is under pressure to contain the security issues in Nigeria before the next presidential election in 2015, when he is expected to seek re-election.

#### Nigeria's Economy from 2000 to 2013

Economically, Nigeria experienced robust but unevenly distributed growth over the thirteen years from 2000 to 2013. Per the *International Monetary Fund (IMF) Regional Economic Outlook, May 2013: Sub-Saharan Africa*, Nigeria averaged 7.0 percent real Gross Domestic Product (GDP) growth from 2004-8, grew at 6.3 percent in 2012, and is projected to have 7.0 percent and 7.2 percent growth in 2013 and 2014,

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<sup>5</sup>BBC News World, "Nigeria Profile," 27 November 2013, <http://www.bbc.com/news/world-africa-13951696> (accessed 20 April 2014).

<sup>6</sup>Ibid.

<sup>7</sup>In 2014, Jonathan also received international criticism for signing legislation that mandated long prison terms for people found guilty of homosexuality in Nigeria.

respectively.<sup>8</sup> Nigeria experienced real non-oil GDP growth of 7.1 percent in 2012, with 7.5 percent and 7.6 percent growth anticipated for 2013 and 2014, respectively.<sup>9</sup> The IMF report adds that exports of goods and services as a percentage of GDP declined from 44 percent in 2004 to 37.5 percent in 2013, indicating that Nigeria has a growing domestic economy and is becoming less reliant on exports.<sup>10</sup>

The fiscal health of the Nigerian government is relatively strong for an African nation. Nigeria continued to record a modest surplus (about 1 percent of GDP) in 2012, despite a slight decline in revenue.”<sup>11</sup> The ability to maintain a surplus in the face of declining inflow indicates that the Nigerian government exercised some degree of fiscal restraint, an attribute lacking in most countries around the world. Nigeria also significantly lowered its overall debt since 2007, when it was at an already manageable 12.7 percent.<sup>12</sup> Nigeria had a reasonable government debt as percentage of GDP of 17.9 percent in 2013, and the nation’s sovereign credit rating was a BB- in 2013, one of the stronger ratings in Africa.<sup>13</sup>

Many Nigerian citizens have not, however, benefited from their country’s economic expansion. As of 2012, per capita GDP in Nigeria was \$1,052, just 8 percent of

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<sup>8</sup>International Monetary Fund, *Regional Economic Outlook, May 2013: Sub-Saharan Africa—Sustaining the Expansion* (Washington, DC: International Monetary Fund, 2013), 69.

<sup>9</sup>Ibid., 70.

<sup>10</sup>Ibid., 84.

<sup>11</sup>Ibid., 7.

<sup>12</sup>Ibid., 26.

<sup>13</sup>Ibid., 53, 80.

the world's average.<sup>14</sup> According to the United Nations Educational, Scientific and Cultural Organization (UNESCO) in 2010, 92 percent of the Nigerian population survived on less than two dollars per day and 71 percent subsisted on less than one dollar.<sup>15</sup> The infant mortality rate was 157 per 1000 live births as of 2008, one of the highest in Africa.<sup>16</sup> The Nigerian government did increase investment in domestic social programs during the 2000s. According to a *United Nations Economic Commission for Africa (UNECA)* report, "the [Nigerian] government kept the price of kerosene unchanged when it increased fuel prices in January 2012. It also committed to use the (fuel) subsidy savings to expand several social safety net programs, such as maternal and child health services, women and youth job programs, vocational training, and support for urban mass transit."<sup>17</sup> Despite these efforts, economic inequality and widespread poverty, especially in the resource poor north, remain challenges.

### Nigeria's Internal Security Situation

Unlike the expanding economy, Nigeria's internal security situation did not improve from 2000 to 2013. Crime remains a persistent issue, one that affects the ability of foreign companies to operate in the country. In the oil-rich Niger Delta, for example,

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<sup>14</sup>Trading Economics, "Nigeria GDP Per Capita," <http://www.tradingeconomics.com/nigeria/gdp-per-capita> (accessed 20 April 2014).

<sup>15</sup>Campbell, 12.

<sup>16</sup>*Ibid.*, 11

<sup>17</sup>United Nations Economic Commission for Africa, "The Impact Of Chinese Investment And Trade On Nigeria Economic Growth," *African Trade Policy Centre*, no. 77 (2009), <http://www.uneca.org/sites/default/files/publications/77.pdf> (accessed 12 October 2013), 63.

guerillas attached to the Movement for the Emancipation of the Niger Delta (MEND) “kidnap expat workers on a weekly basis, in spite of the private armies that major oil companies maintain to ensure the safety of their employees.”<sup>18</sup> Ransom demands quickly follow, with the kidnapped workers typically released once their employers or governments provide payment.

While criminal activity is a significant concern, the recent increase in insurgent activity represents a direct threat to Nigeria’s social and political stability. Nigeria has battled insurgent groups throughout its existence. News articles from *Reuters*, *Al Jazeera English*, and *The Long War Journal* indicate that insurgent attacks in Nigeria increased dramatically since 2008, both in number and in magnitude. The frequency and severity of the attacks in northern and central Nigeria since 2012 is especially troubling.<sup>19</sup> The rise in insurgent activity is a major reasons for Nigeria’s poor performance in international instability indices.

The vast majority of insurgent attacks in Nigeria are the handiwork of the Islamist group Boko Haram, the leading terrorist network in Nigeria. Boko Haram loosely translates to “Western education is forbidden” and frequently targets Christians in northern and central Nigeria.<sup>20</sup> On Christmas Day in 2011, the group bombed a Catholic

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<sup>18</sup>Serge Michel and Michel Beuret, *China Safari: On the Trail of Beijing’s Expansion in Africa* (New York: Nation Books, 2009), 31.

<sup>19</sup>Maplecroft, “Political Risk 2012,” 16 December 2012, [http://maplecroft.com/media/v\\_maplecroft-23122010\\_112502/updatable/email/marsh/Political\\_Risk\\_2012\\_Poster\\_MARSH.pdf](http://maplecroft.com/media/v_maplecroft-23122010_112502/updatable/email/marsh/Political_Risk_2012_Poster_MARSH.pdf) (accessed 27 December 2013).

<sup>20</sup>Farouk Chothia, “Who Are Nigeria’s Boko Haram Islamists?,” *BBC News Africa*, 11 January 2012, <http://bbc.co.uk/news/world-africa-13809501> (accessed 21 February 2014).

Church near Abuja, killing 37 Nigerians.<sup>21</sup> During 2012, Boko Haram continued to execute suicide bombings on a near-weekly basis at churches throughout the north.<sup>22</sup> The situation degraded further in 2013. According to the United Nations, 1,224 people were killed in 48 separate Boko Haram related attacks between May and December of 2013, when the Nigerian government declared a state of emergency in the northeast region of the country.<sup>23</sup> These events included a brazen attack by 300 to 500 Boko Haram “fighters” on the Nigerian air force base in Maidurgi, leaving scores dead, including an estimated 100 insurgents.<sup>24</sup>

That poorer Muslim Nigerians in the north are frequently conducting violent attacks against the wealthier Christian population strongly suggests that the inequality of wealth distribution in Nigeria has exacerbated religious tensions in the country. Farouk Chothia in *BBC News Africa* supports this contention. While validating the religious aspects of the Boko Haram insurgency, Chothia adds, “The threat will disappear only if the Nigerian government manages to reduce the [northern] region’s chronic poverty and build an education system which gains the support of local Muslims, analysts say.”<sup>25</sup>

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<sup>21</sup>Tim Cocks, “Nigeria Boko Haram Member Jailed Over Bomb Attack.” *Reuters*, 20 December 2013, <http://in.reuters.com/article/2013/12/20/nigeria-bomber-idINL6N0JZ3RE20131220> (accessed 31 December 2013).

<sup>22</sup>Al Jazeera, “UN: Over 1,000 Killed In Boko Haram Attacks,” 16 December 2013, <http://www.aljazeera.com/news/africa/2013/12/un-1224-killed-boko-haram-attacks-20131216175810115265.html> (accessed 29 December 2013).

<sup>23</sup>*Ibid.*

<sup>24</sup>Zachary Elkaim, “UN: Over 1,00 Killed In Boko Haram Attacks,” *The Long War Journal*, 4 December 2013, [http://www.longwarjournal.org/archives/2013/12/analysis\\_resilient\\_b.php](http://www.longwarjournal.org/archives/2013/12/analysis_resilient_b.php) (accessed 29 December 2013).

<sup>25</sup>*Ibid.*

Despite the Nigerian government and military's efforts to suppress terrorism in the country, insurgent attacks continue to threaten Nigeria's political stability, especially in the northern half of the country.

### China's Economic Involvement in Africa Since 1949

China has a long history of economic involvement in Africa. Chinese and Africans have conducted trade with each other off and on since 200 B.C. After the People's Republic of China formed in 1949, the Chinese wanted to expand the communist revolution. The newly independent African nations desired an alternative to business with traditional colonial powers.<sup>26</sup> The Chinese also needed to influence African votes to garner support for a permanent seat on the United Nations Security Council, which they successfully achieved in 1971.<sup>27</sup> Chinese economic cooperation with Africa in the 1950s and 1960s included interest free loans with such countries as Ghana and Algeria and economic cooperation agreements with numerous African nations.<sup>28</sup>

Following a pause in Chinese-African interactions in the wake of the former's Cultural Revolution, China re-initiated involvement as part of economic reforms in the 1980s.<sup>29</sup> This relationship accelerated when Chinese President Jiang Zemin instituted the "go-out" policy in 1995, encouraging Chinese corporations and entrepreneurs to invest

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<sup>26</sup>Mary-Francoise Renard, *China's Trade and FDI in Africa* (Tunis: African Development Bank Group, 2011), 6-7.

<sup>27</sup>Michel, 67.

<sup>28</sup>Renard, 7.

<sup>29</sup>Michel, 68.

and conduct business in Africa.<sup>30</sup> Expanding Chinese presence on the continent focused mostly on infrastructure projects, exporting products and services, and, most importantly, ensuring China had access to raw materials required for that nation's ballooning economy. For Africans, conducting business with China was preferable in many respects to commerce with the western powers. As opposed to most western nations, the Chinese provided assistance with fewer conditions, provided long term loans at low interest rates, and offered professional and technical assistance.<sup>31</sup>

By the early 2000s, China had become a major trading partner for Africa. Bilateral trade between China and Africa increased fivefold from 2000 to 2006 alone, when trade reached \$55 billion with nine hundred Chinese companies operating on the continent.<sup>32</sup> Oil exports to China represented a significant percentage of this growth. Between 1995 and 2005, crude oil increased from under 40 percent to over 80 percent of African exports to China.<sup>33</sup> Sanusha Naidu in *China in Africa*, the *Council on Foreign Relations*, and the *Centre for Chinese Studies* all provide data indicating that China markedly increased their oil imports from Africa since 2000 and will continue to expand oil operations through 2030. Overall, China is Africa's second largest trade partner behind the United States. While Chinese imports and exports to Africa remain less than four percent of China's overall trade, Africa does almost 10 percent of its worldwide

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<sup>30</sup>Ibid., 69.

<sup>31</sup>Renard, 7.

<sup>32</sup>Michel, 3.

<sup>33</sup>Sanusha Naidu, "China-African Relations in the 21st Century: A Win-Win Relationship," *China in Africa* (2007): 46.

trade with China.<sup>34</sup> Accordingly, the Chinese pumped billions of dollars in Foreign Direct Investment (FDI) into numerous African nations from 2000 to 2013.

The immigration of Chinese nationals to the African continent has accelerated since the mid-1990s. China's aforementioned "go-out" policy and the increased presence of Chinese multinationals in Africa encouraged hundreds of thousands of Chinese citizens to relocate to Africa. These immigrants settled in local "Chinatowns" or in corporate compounds and opened many small businesses and trading enterprises throughout the continent.<sup>35</sup> Many Chinese families spend years saving money so that one of their own can go to Africa and profit from a market with expanding demand.<sup>36</sup> While most Chinese view Africa as a place to acquire wealth before returning back to their homeland, others settled on the continent and became significant minorities in some countries.<sup>37</sup>

#### China's Relationship with Nigeria from 2000 to 2013

Nigeria's economic ties with China have expanded sharply since 2000. From 2000 to 2010, trade between the two countries increased from \$2 billion to \$18 billion,<sup>38</sup>

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<sup>34</sup>Renard, 6-7.

<sup>35</sup>Centre for Chinese Studies, "Emerging Chinese Communities in Africa," *The China Monitor*, no. 26 (February 2008): 4-5.

<sup>36</sup>Michel, 32.

<sup>37</sup>Centre for Chinese Studies, 5.

<sup>38</sup>Daniel Wagner and Giorgio Cafiero, "China and Nigeria: Neo-Colonialism, South-South Solidarity, or Both," *The Huffington Post*, 19 July 2013, [http://www.huffingtonpost.com/daniel-wagner/china-and-nigeria-neocolo\\_b\\_3624204.html](http://www.huffingtonpost.com/daniel-wagner/china-and-nigeria-neocolo_b_3624204.html) (accessed 27 September 2013).

making China one of Nigeria's most important trading partners. The Chinese have invested heavily in businesses and infrastructure within Nigeria, as Chinese Foreign Direct Investment (FDI) in Nigerian infrastructure projects amounted to over \$5 billion from 2003 to 2007 alone.<sup>39</sup> While China is not yet a large export market for Nigerian oil, Chinese multinationals made some significant investments in the Nigerian energy sector during the past decade. In 2006, CNOOC (China National Offshore Oil Corporation) invested \$2.3 billion in a large oil concession in Nigeria and committed an additional \$4 billion in Nigerian infrastructure projects, for which they received exploration rights to four additional oil blocks.<sup>40</sup>

Chinese immigration to Nigeria has increased during the past thirteen years as well. An estimated 17,000 Chinese nationals legally reside within the country, along with an unknown number of illegal Chinese immigrants.<sup>41</sup> Indicators of growing Chinese presence in Nigeria abound. The *Chinese Enterprise Association* in Lagos, Nigeria's largest city, boasts two hundred members.<sup>42</sup> Accordingly, the *West Africa United Business Weekly*, the first Chinese-language newspaper in Nigeria, enjoys a circulation of 7,000, and in 2006 Lagos became the first destination in Africa serviced by a Chinese airline.<sup>43</sup>

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<sup>39</sup>Renard, 21.

<sup>40</sup>Ibid., 31.

<sup>41</sup>Providence Obuh, "Nigeria: 17,000 Chinese Legally Resident In Nigeria—Immigration Boss," *Vanguard*, 31 July 2013, <http://allafrica.com/stories/201307310369.html> (accessed 29 December 2013).

<sup>42</sup>Michel., 32, 35.

<sup>43</sup>Ibid., 36-7.

Although the relationship between Nigeria and China has not developed without controversy, many observers view the relationship as beneficial for both nations. Viewpoints exist, however, within and outside of Nigeria that Chinese business owners are not improving the lives of the average Nigerian because the Chinese firms either only employ their own workers or treat Nigerian workers poorly. Other critics, including a former US ambassador to Nigeria, opined that Chinese businesses dump cheap, poor quality products into Nigeria, severely damaging many domestic industries and displacing hundreds of thousands of Nigerian workers.<sup>44</sup>

### Problem Statement

The purpose of this thesis is to determine the ways China is influencing Nigeria through both economic investment and immigration, how that influence is affecting Nigeria's economy and social stability, and how China's involvement in Nigeria compares to its efforts in other West African nations.

### Primary Research Question

How is China's expansion into West Africa affecting Nigeria?

### Secondary Research Questions

In what ways is China influencing Nigeria through economic investment and immigration of Chinese nationals?

How is Chinese involvement in Nigeria affecting Nigeria's economy and social stability?

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<sup>44</sup>Campbell, 133.

How does Chinese investment and immigration in Nigeria compare to other countries in Western Africa?

### Methodology

This research paper is a qualitative case study with quantitative analysis provided by various agencies and reports. The study examines the ways in which China influenced Nigeria both economically and socially between 2000 and 2013, what effects that involvement has had on Nigeria's economic and social fabric, and how China's relationship with Nigeria compares to Chinese investment and immigration in other West African nations.

### Assumptions

This study assumes the following: The sources cited in this research paper are using factual data and are giving honest assessments based on the facts as the authors understand them.

### Definitions

China: In this research paper, "China" will refer to the Chinese government and businesses based in China and or/owned by Chinese nationals.

Nigeria: "Nigeria" will refer to the Nigerian government and businesses based in Nigeria and/or owned by Nigerians.

### Limitations

The author had to work within some limitations while compiling and analyzing data for this study. Due to geographic considerations, the author's research was limited to published documents and did not include interviews with people who live in Nigeria.

Time was also a limitation during the study, as all the research had to be conducted and analyzed within a nine-month time frame.

### Delimitations

This research is intended as a country study of Nigeria. Therefore, the scope of the research is limited to Nigeria and will not include Chinese involvement in other parts of Africa, except when comparing Chinese involvement in Nigeria with the experiences of another African country or discussing the broader intent of China within the region. The study is also restricted to activities occurring between 2000 and 2013, except where reference to previous or subsequent activities is required to provide context.

### Summary

This study examines how China's expansion into Western Africa is affecting Nigeria. The literature review contained in chapter 2 focuses on the following areas: the ways in which China is influencing Nigeria through both economic investment and immigration, how that influence is affecting Nigeria's economy and social stability, and how China's involvement in Nigeria compares to its investment and immigration patterns in other West African nations.

An explanation of the methodology used in the research is described in chapter 3. Chapter 4 discusses the findings of the qualitative study. The final chapter will contain the conclusion and observations for how other nations can apply the model of economic and immigration patterns in Nigeria to potential Chinese involvement in their countries.

## CHAPTER 2

### LITERATURE REVIEW

#### Introduction

The modern day relationship between China and the nations of sub-Saharan Africa has been written about and studied extensively. Many authors address China's investment and immigration in Africa in general. A smaller group of sources directly discuss Chinese interaction in Nigeria, including the effects on Nigeria's economy and society. In addition, agencies such as *The World Bank*, the *International Monetary Fund*, and the *United Nations* authored analytical reports and statistical indices that provide quantitative analysis of China's influence in Nigeria through economic investment, as well as metrics detailing Nigeria's economic performance and social stability since 2000. All of these groups of publications are relevant to this study's primary research question: "How is China's expansion into western Africa affecting Nigeria?"

The literature discussed in this chapter is grouped into three categories that correlate to the three secondary research questions. The first category covers the motivations behind the relationship between China and Africa. The second category addresses the benefits, or lack thereof, that Africa is reaping from its bilateral relationship with China. The third and final category discusses how Chinese involvement in Nigeria is affecting Nigeria's economy and social stability.

#### China's Motivations in Africa

Contemporary views of China's motivations for expanding its economic and expatriate footprint in Africa range from mutually beneficial economic opportunism to

neo-colonialism. Some authors, as detailed later in this chapter, see Chinese presence in Africa as mostly beneficial to both China and African nations such as Nigeria. The Chinese gain access to the petroleum, minerals, and foodstuffs its 1.3 billion people require; in return, the African nations receive vital export revenue and infrastructure investment. The African governments also avoid the onerous “good governance” and transparency requirements that most Western nations attach to their aid and investment packages.

In contrast, some other publications assert that Chinese activity in Africa borders on neocolonialism. In their view, the Chinese bribe corrupt African governments in order to gain access to precious national resources. The Chinese extract these resources in ways that harm the environment and provide little direct benefit to the average African. In addition to exploiting natural resources, the Chinese also sell cheap manufactured products and textiles from China to African consumers. Furthermore, China “exports” thousands of its nationals to establish and work at businesses that undercut local African companies and displace tens of thousands of African workers.

Sanusha Naidu’s article published by the *Council in Foreign Relations* in 2010 touches upon these divergent viewpoints. Naidu is an academic and research specialist in the Integrated Rural and Regional Development program at the South African Regional Poverty Network and authored or edited three books on the relationship between China and Africa. He writes that, “Critics and commentators have labeled this new [economic] thrust by China and India as the ‘second scramble for Africa’s resources’ in the 21<sup>st</sup> century . . . For these critics the long-term impact would be a race to the bottom between the continent’s former colonial powers and the newly emergent competitors, in particular

China, with deleterious consequences, namely Africa's further underdevelopment and marginalization from the process of globalization."<sup>45</sup>

Naidu adds, however, that those that view the Chinese as saviors and those that perceive the Chinese as neo-colonialists are oversimplifying the relationship between China and Africa. He states that China's detractors fail "to recognize that it was not so long ago that the Western media had labeled Africa as the 'hopeless continent' or that the adoption of the good governance approach coupled with a sense of humanitarianism has been a recent adjustment to the West's development policy for the continent."<sup>46</sup> But Naidu also asserts that China's soft power strategy has limitations as well. He says that "first, [Chinese soft power] treats the African state as a homogeneous unit. Second, it assumes that state elites have legitimacy. Lastly, it fails to recognize the role of non-state actors and the power that they may wield in resource enriched African states."<sup>47</sup>

Stephanie Hanson in *China, Africa, and Oil* contends that China's interest in Africa revolves around access to oil. As of 2006, China received one third of its oil imports from Africa and wanted to continue to expand its access to oil on the continent. She asserts, "Chinese companies see Africa as both an excellent market for their low-cost consumer goods, and a burgeoning economic opportunity as more countries privatize their industries and open their economies to foreign investment."<sup>48</sup>

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<sup>45</sup>Naidu, 41.

<sup>46</sup>Ibid., 41-42.

<sup>47</sup>Ibid., 44.

<sup>48</sup>S. Hanson, "China, Africa, and Oil," *Council on Foreign Relations*, 6 August 2010, [http://www.cfr.org/publication/9557/china\\_africa\\_and\\_oil.html](http://www.cfr.org/publication/9557/china_africa_and_oil.html) (accessed 27 September 2013).

In 2011, Mary Francoise-Renard published a working paper titled *China's Trade and FDI in Africa* in conjunction with the African Development Bank Group. Renard conducts a comprehensive analysis of Chinese involvement in select African countries, quantifies the advantages and disadvantages, and makes policy suggestions necessary to maximize the development impact of China. In her paper, Renard asserts that Chinese FDI in Africa is invested in conjunction with trade and development assistance. She states, "China's outward FDI to Africa is dominated by a few resource-rich countries, plus South Africa."<sup>49</sup> She lists Nigeria as the foremost of African FDI recipients. Renard adds that most Chinese investment in strategic sectors is conducted through state-owned entities, but can also be hard to calculate as Chinese money is often channeled through offshore entities.<sup>50</sup> She believes that China's FDI in Africa in the future will likely "focus more on the private sector and the development of small and medium size enterprises in sectors such as telecommunications, business services and manufactured goods."<sup>51</sup> Renard adds that the Chinese have reaped important indirect benefits for Africa by encouraging other developing countries such as India to invest in the continent.<sup>52</sup>

There is general consensus among the academic community regarding the motivations for African nations to develop relationships with China. The Asian nation's ravenous consumption requirements provide support for commodity prices and generate desperately needed export revenue. Accordingly, infrastructure in most African nations is

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<sup>49</sup>Renard, 18.

<sup>50</sup>Ibid., 19.

<sup>51</sup>Ibid., 21.

<sup>52</sup>Ibid., 28.

very poor, and African governments desire foreign investment in local development projects. The government officials and elites that control national policies can also derive significant personal gain from conducting business with the Chinese. The wealthy and the powerful are not, however, the only potential beneficiaries of a relationship with China. The average African, while concerned about the negative aspects of China's presence, can benefit from lower consumer prices and, in some cases, increased job opportunities as well.

The research discovered multiple sources that discussed China's involvement, or lack thereof, in the internal affairs of African countries. All of these publications agreed that, unlike some western countries such as the United States, the Chinese invest in and provide aid to African countries predominately to create economic benefits for China. The Chinese rarely attempt to influence the internal political or social environment of an African country except where it is required to increase business opportunities for Chinese state-owned corporations and private enterprises.

David Zweig and Bi Jianhai state in *Foreign Affairs* that China "has been able to adapt its foreign policy to its domestic development strategy" to an unprecedented level by encouraging state controlled companies to seek out exploration and supply contracts with countries that produce oil, gas, and other resources. At the same time, Beijing aggressively courts the governments of those countries with diplomacy, trade deals, debt forgiveness, and aid packages."<sup>53</sup>

Serge Michel and Michel Beuret discuss Chinese motivations extensively in their 2008 publication, *China Safari: On the Trail of Beijing's Expansion in Africa*. Michel

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<sup>53</sup>Ibid.

and Beuret spent two years touring Africa to compile information regarding Chinese activities on the continent. Michel believes that China's expansion into Africa provides the former with the belief that it is a global superpower while it provides the latter with opportunities for economic growth. The influx of Chinese nationals into Africa is an extension of the diaspora that has spread 100 million ethnic Chinese throughout the world, as well as a convenient way for the Chinese government to reduce the mouths it has to feed within China.<sup>54</sup> For the Chinese, Africa is like the Wild West, a chaotic region full of opportunity. Michel asserts that Chinese have no intentions to alter the internal politics of their African partners. He does, however, add, "China is gradually realizing that its visible support of certain dictators may eventually backfire. Having been [Sudan's] and [Zimbabwe's] most staunch ally, [China] is now backtracking, putting pressure on the Sudanese government to end the hostilities in Darfur, and reducing aid to Robert Mugabe [the president of Zimbabwe]."<sup>55</sup>

Michel views the marriage between China and Africa as the product of mutual frustrations between Africa and Western governments. The West is frustrated over governments run by dictators that misuse and steal foreign aid and engage in a constant stream of genocides and wars; African nations are tired of the good governance and transparency requirements attached to Western aid. The Chinese provide an attractive alternative. As Michel asserts, "Where others only see discomfort or chaos, the Chinese see opportunities. They are willing to make long-term investments in infrastructure projects and industry where Western investors would want quick returns. China has a

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<sup>54</sup>Michel, 4-5.

<sup>55</sup>Ibid., 6.

lasting vision for Africa, and its goals far exceed the limited scope of colonial powers.”<sup>56</sup>

Michel also states, “China doesn’t just rely on images of dollars spinning around in African leaders’ heads. It can also offer to call up thousands of workers, send them wherever they are needed, and have them build whatever is wanted at an unbeatable price. It has developed simple, robust technologies that are perfect for use in Africa and is also refreshingly disinterested in human rights and good governance.”<sup>57</sup>

### Benefits to Africa from Bilateral Relationship

Most sources researched for this study believe that Africa received positive gains from its commerce with China. Those authors also believe, however, that the benefits are not universal and that African nations need to do more to maximize what they receive in return. Mary-Francoise Renard asserts, “Many African countries have reaped enormous benefits from China’s rapid growth and increasingly important trade links with the continent, although other African countries have suffered from increased competition “thus the impact of China will depend on the commodity specialization of each country. Countries exporting labor intensive goods have reason to fear competition from China, while those exporting primary commodities of capital-intensive and technologically advanced goods will gain.”<sup>58</sup> Renard adds that while African nations are competitive in the trade of unprocessed agricultural products, metals and minerals, “there is a negative correlation between the intensity of trade with China and the degree of African

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<sup>56</sup>Ibid., 7.

<sup>57</sup>Ibid., 252.

<sup>58</sup>Ibid., 22-23.

economies' comparative advantage in manufactures and processed foods . . . Thus trade with China could encourage African economies to remain specialized in raw materials, which implies high vulnerability to commodity prices and a higher probability of corruption.”<sup>59</sup>

In conclusion, Renard offers recommendations to limit the negative effects of China's presence in Africa. According to Renard, African governments must create and maintain strong democratic institutions and pursue fiscal economic policies that hedge against the “boom or bust” cycle inherent in commodity trading. African countries should also “increase the value added of their production and exports, irrespective of their partner countries,” as well as ensure that incomes from commodity wealth are distributed as evenly as possible. She also adds that African countries could benefit from regional alliances with their neighbors to create more negotiating power with nations such as China.<sup>60</sup>

Sanusha Naidu in *China in Africa* argues that the relationship between Nigeria and China could become mutually beneficial. He asserts that while China does have resource acquisition as a priority and current bilateral trade is more advantageous to the Asian nation, accusations of neo-colonialism fail to take into account the investments China has made in infrastructure and other projects within Nigeria. He does add that for the relationship to continue to provide benefit to both parties, China must balance its promises to Africa against domestic needs. Accordingly, African leaders must develop “an African consensus regarding the relationship with China, ensuring the rule of law and

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<sup>59</sup>Ibid., 28.

<sup>60</sup>Ibid., 30-31.

an effective monitoring and regulatory framework are in place to oversee the that investment practices are conducted appropriately and legally, and most of all that their citizens are the main beneficiaries of this win-win partnership, not only state and economic elites.”<sup>61</sup>

The *Council on Foreign Relations (CFR)* cites *World Bank* economist Harry G. Bradman, who states that Chinese companies “can help African countries tap into global value chains, giving them a ‘chance to increase the volume, diversity and worth of their exports.’ But African governments must enact a series of reforms – of basic market institutions, investment regulations, infrastructure, and tariffs – to realize these benefits.”<sup>62</sup>

Princeton Lyman, CFR’s adjunct senior fellow for African studies, strikes a more neutral note, saying that China’s interest in Africa has both positive and negative effects. “It’s good for the continent because it brings in a new actor who’s willing to invest, but it’s bad for Africa because it turns countries away from the hard work of political and economic reform.”<sup>63</sup>

#### How China Is Affecting Nigeria’s Economic and Social Stability

Differing opinions exist regarding whether Nigeria is benefiting from its expanding relationship with China, though most authors believe that the relationship is a net positive for Nigeria.

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<sup>61</sup>Naidu, 45.

<sup>62</sup>Hanson, *Council on Foreign Relations*.

<sup>63</sup>*Ibid*.

Former U.S. Ambassador to Nigeria John Campbell argues in *Nigeria: Dancing on the Brink* that Nigeria's dealings with China have not been that productive for the African country. He opines, "The Chinese are not popular in Nigeria. They are commonly regarded as racists, and Nigerians have accused them of providing few jobs in the enterprises they have established. They are popularly blamed for the destruction of the textile industry in the North because they flooded the local market with cheap, allegedly smuggled imports."<sup>64</sup>

Risk Solutions CEO Daniel Wagner believes that the perceptions of the Nigerian population occupy a middle ground between the conflicting theories of mutual benefit and neo-colonialism. He asserts, "While many Nigerians consider China's growing presence to be nothing short of a God send, others have raised concerns about Nigerian sovereignty, bearing in mind the impact Chinese trade and investment has had on other African countries. The Chinese model of importing its own workers to build infrastructure projects, for example, does not sit well with many Nigerians." Wagner adds that "a number of Nigerians have also voiced objections to the "slave-like" labor conditions in Chinese operated factories across Nigeria", and "Nigeria's trade unions have similarly complained that the ramp up in Chinese imports have eliminated more than 250,000 manufacturing jobs, primarily in the textile sector." Wagner does go on to state, however, that "despite all of the concerns . . . most Nigerians recognize that China's growing presence is more beneficial than harmful . . . China is seen as non-hypocritical

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<sup>64</sup>Campbell, 133.

and more respectful of the African peoples' aspirations to manage their own affairs without fear of meddling from a foreign power.”<sup>65</sup>

From a Nigerian point of view, Oyejide Titiloye Ademola et al. from the University of Ibadan in Nigeria argued in the *European Journal of Development Research* that there are “both trade-related gains and losses arising from China-Africa trade relations.”<sup>66</sup> Ademola offers that trade imbalances do exist between Nigeria, but also asserts that if China lives up to promises it made to Africa in 2006, then there are export related gains available to Nigeria in crude oil and lumber, while there are imported related gains in automobile parts and textiles.<sup>67</sup> He adds that while Nigeria has prohibited the import on certain textile and clothing products, “in spite of these short-term and restrictive trade policy measures, African countries cannot successfully resist the displacement of their domestic production in their own or foreign markets unless concrete steps are taken to significantly improve the competitiveness of their economies.”<sup>68</sup>

#### Common Ground in Current Research

The sources researched for this study concur that China's motivations with respect to Africa involve access to natural resources and new markets for their products and services, though there is some disagreement as to whether or not the Chinese have

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<sup>65</sup>Wagner, *The Huffington Post*.

<sup>66</sup>Oyejide Titiloye Ademola, Abiodun S. Bankole and Adeolu O. Adewuyi. 2009. “China-Africa Trade Relations: Insights from AERC Scoping Studies.” *European Journal of Development Research* 21, no. 4 (2009): 485.

<sup>67</sup>*Ibid.*, 498, 502.

<sup>68</sup>*Ibid.*, 502.

neo-colonialist objectives. The publications agree that they invest in and provide aid to African countries mostly to create economic benefits for China. As a result, the Chinese rarely attempt to influence African governments except where it is required to expand opportunities for commerce.

Most publications discussing Chinese immigration, including *China Safari* and *The China Monitor*, concluded that the Chinese generally immigrated to African countries intending to build wealth and ultimately repatriate to China. The Chinese also tended to avoid assimilating into African culture. Chinese owned businesses also often import their own countrymen to fill open jobs and sometimes undercut domestic industries, leading to varying degrees of friction with African populations.

There is a consensus opinion in many articles regarding the motivations for African nations to expand their economic relationships with China. Chinese demand for African commodities provides vital export revenue to African economies, and Chinese investments improved infrastructure on parts of the continent. The African people also derive some benefit from Chinese presence through lower consumer prices and, to a lesser degree, employment opportunities as well.

Regarding China's investment and influence in Nigeria, there is agreement among all the studies cited that China and Nigeria greatly expanded their relationship from 2000 to 2013. The research sources all agree that Nigeria receives more net investment than any other African nation yet has among the largest trade imbalances with China. The studies also concur that Chinese immigration to Nigeria and the rest of the continent is rising.

The referenced studies have less agreement with regard to the positive and negative benefits of Chinese involvement in both Africa as a whole and Nigeria specifically, though most authors believe that Chinese presence is generally beneficial. There is also consensus that Nigeria's economy is growing rapidly relative to other African nations, but insurgent violence in Nigeria is increasing and continues to pose a serious threat to Nigerian stability.

### Conclusion

The literature review addressed the primary research question for this thesis as well as the three secondary questions. The review covered the historical background of the Federal Republic of Nigeria as well as the history of Chinese involvement in Africa since the 1949 communist revolution. The research also covered the relationship between China and Nigeria since 2000, the effects that relationship has had on Nigeria's economy and social stability, and how that relationship compares to Chinese involvement in other African nations.

The review also validated the feasibility and relevancy of the primary research questions as well as the three secondary research questions. Chapter 3 discusses the methodology used to research and analyze those four questions.

## CHAPTER 3

### RESEARCH METHODOLOGY

#### Introduction

The author conducted a qualitative case study with quantitative analysis provided by various agencies and reports. The study examined the ways in which China's expansion into Western Africa is affecting Nigeria, including the ways in which China is influencing Nigeria through both economic investment and immigration. The author also analyzed how that influence is affecting Nigeria's economy and social stability, as well as how China's involvement in Nigeria compares to China's economic and immigration activities in other West African nations. The research focused on secondary sources due to the lack of available primary sources and used both quantitative data as well as qualitative analysis.

#### Data Collection

According to John W. Creswell, there are five generally accepted methods for gathering data in qualitative research: biography, phenomenology, grounded theory, ethnography, and a case study.<sup>69</sup> Data collection for this study used the last method, as it focused on collecting and analyzing documents and observations from multiple sources to develop the themes for the Chinese model of investment and immigration in Nigeria. The research gathered data from reports that quantified the economic and immigration activities between China and Nigeria as well as Chinese trade, investment, and

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<sup>69</sup>John W. Creswell, *Qualitative Inquiry and Research Design* (Thousand Oaks, CA: SAGE Publications, Inc., 1998), 65.

immigration in selected other African nations. The research also concentrated on Nigeria's overall economic performance from 2000 to 2013 as well as indices that quantified increases or decreases in Nigeria's stability over that span of time. In addition, the study analyzed assessments from various respected sources on the motives behind China's involvement in Nigeria and sub-Saharan Africa as well as the positive and negative results of those relationships.

For statistics regarding Chinese economic activity and immigration in Nigeria and other Africa nations, the research relied on reports from respected organizations such as agencies of the *United Nations*, the *World Bank*, the *International Monetary Fund*, the *African Development Bank Group*, and the Chinese and Nigerian governments. The research regarding Nigeria-China trade data also relied on reports issued by the Nigerian government, including the *National Trade Statistics, Second Quarter 2013* report issued by the *National Bureau of Statistics* as well as the *Foreign Trade Statistics Report*. In order to analyze the economic and social environment in Nigeria from 2000 to 2013, the research used quantitative reports to analyze Nigeria's overall fiscal health and social stability. To determine in what ways China has influenced those dynamics in Nigeria, the research relied mostly on subjective analysis, though some quantitative reports detailing China's effect on Nigeria's economy were used.

With regard to Chinese immigration into Africa, the author was not able to find one source of data that accurately compared the numbers of Chinese immigrants (legal or illegal) in various African countries. The research therefore compiled data from various sources, such as *The China Monitor* and the *International Business Times*, which discussed Chinese immigration patterns and their subsequent effects in different African

countries, including Nigeria. The immigration component of the research focused mostly on Chinese immigrants to sub-Saharan countries such as Ghana and Uganda.

### Data Analysis

The analysis for the data collected in this study revolved around three themes: the ways in which China's expansion into Western Africa is affecting Nigeria, including the ways in which China is influencing Nigeria through both economic investment and immigration; how that influence is affecting Nigeria's economy and social stability; and how China's involvement in Nigeria compares to its economic and immigration activities in other West African nations.

In order to attach relevant data to the appropriate theme, research for this study used memoing to record reflective notes about what was being learned from the data as well as additional data that required analysis. The study also used coding, where shorthand designations were attached to collected data to align the data with the proper interpretive construct, in accordance with techniques outlined in *Qualitative Research and Case Study Applications in Education* by Sharan B. Merriam.<sup>70</sup>

The study further used regression analysis for the statistical data collected during the research, including data points from the various studies to evaluate how Chinese trade, investment and immigration affected the economies and stability of Nigeria and selected other African countries from 2000-2013.

With regard to China's contribution to the successes and failures of Nigeria, the research used various reports and articles from respected publications. While most of

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<sup>70</sup>Sharan B. Merriam, *Qualitative Research and Case Study Applications in Education* (San Francisco: Jossey-Bass Publishers, 1998), 164.

these sources were opinion pieces based on anecdotal evidence, the 2009 *United Nations Economic Commission for Africa* report titled *The Impact of Chinese Investment and Trade on Nigeria Economic Growth* attempted to quantitatively examine the effects of Chinese foreign direct investment and bilateral trade on Nigeria economic growth. The report used the Ordinary Least Squares Method and the Granger causality test to analyze time-series and panel data from 1990 to 2007. The report analyzed both the past relationship between Nigeria and China as well as to extrapolate what the data portended for future China-Nigerian relations. It also suggested policies that Nigeria should implement with regard to Chinese FDI inflows and its trade relationship with China in order to gain maximum benefits to GDP and export growth from its relationship with the Asian nation.<sup>71</sup>

To analyze China's motives in Africa as well as the effects of China's presence on Nigeria and Africa, the study used assessments from published books, other academic research, and articles. The analysis considered perspectives from both Western and African sources to acquire a comprehensive sample of various opinions regarding Chinese involvement in Nigeria and the African continent.

#### Role of Researcher

A significant concern during a qualitative study is the bias of the recorder. The author of this study is an American citizen whose experiences and points of view were formed in the "developed" world. In order to avoid having these biases affect the analysis

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<sup>71</sup>United Nations Economic Commission for Africa, "The Impact of Chinese Investment and Trade on Nigeria Economic Growth," *African Trade Policy Centre*, no. 77 (2009), <http://www.uneca.org/sites/default/files/publications/77.pdf> (accessed 12 October 2013).

during the study, this author used triangulation to validate the findings. Triangulation is using multiple sources of data to confirm the merging findings.<sup>72</sup> In order to comprehensively conduct triangulation, the author compared data and analysis from a variety of respected Western, African, and Asian sources to confirm the findings in this study.

The researcher also had to work within some limitations while complying and analyzing data. The researcher did not have the resources to travel to Nigeria or any part of the African continent in order to conduct first-hand interviews or access resources within that region. Time was also a limitation during the study, as the researcher had to complete the study within a nine-month time frame.

### Summary

This thesis is a qualitative case study regarding how China's expansion into Africa is influencing Nigeria, how that influence is affecting Nigeria's economy and social stability, and how China's involvement in Nigeria compares to its activities in other African nations. In order to use relevant and comprehensive data, the research used quantitative data from respected analytical reports as well as qualitative analysis from major publishers and news publications. To evaluate the data with minimal bias, the study used the methods of regression analysis and coding, as well as triangulation. Chapter 4 analyzes the collected data in the context of the four research questions.

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<sup>72</sup>Merriam, 204.

## CHAPTER 4

### ANALYSIS

#### Introduction

This chapter analyzes the relationship between China and Nigeria with regard to the primary research question: “How is China’s expansion into western Africa affecting Nigeria?” The chapter will cover this subject in three sections that mirror the three secondary research questions. The first section will discuss the ways in which China is influencing Nigeria through economic investment and the immigration of Chinese nationals. The second section discusses how Chinese involvement is affecting Nigeria’s economy and social stability. The third and final section will explore how Chinese investment and immigration in Nigeria compares to other countries in Western Africa.

#### Ways in Which China Is Influencing Nigeria

This section analyzes ways in which China influenced Nigeria from 2000 to 2013. This section covers the motivations for the partnership between China and Nigeria, trade between the two nations, Chinese Foreign Direct Investment in Nigeria, as well as Chinese immigration to Nigeria during that period.

#### Motivations

China is a nation of 1.3 billion people, hundreds of millions who are poor with few prospects for success in their homeland. Its burgeoning population has a high demand for energy, jobs, and export markets for its products. Nigeria can assist China in all three areas. Nigeria is the 13<sup>th</sup> largest producer of crude oil in the world, pumping 2.26

million barrels per day as of the 3<sup>rd</sup> quarter of 2013.<sup>73</sup> Nigeria also has Africa's largest economy, with a GDP of \$509 billion in 2013 that is growing at rates of 6-7 percent per year, along with 170 million consumers.<sup>74</sup> The Nigerian economy provides a significant and growing market for businesses in China to sell their products. Nigeria also attracts entrepreneurial Chinese expatriates, who come to the country to build businesses and seek employment with established Chinese-owned companies.

Nigeria, despite its growing economy, is still a semi-industrialized nation with substantial need for economic investment and infrastructure development. The Chinese have shown a willingness to make significant, if potentially self-serving, capital injections into Nigerian infrastructure, especially transportation-related projects. This is very beneficial to the Nigerian economy. Improved infrastructure lowers the time and costs involved in transporting goods. Reduced costs correspondingly increase the competitiveness of a country's products in both domestic and international markets, which is advantageous to an export-dependent economy like Nigeria. In addition, Nigeria's consumer demand for many products exceeds the capacity of homegrown Nigerian and West African companies. Chinese goods can help fill that demand, typically at lower costs than from local or Western sources.

The Nigerian government, like many of its African contemporaries, is also attracted to the lack of conditions attached to Chinese aid packages. As former U.S.

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<sup>73</sup>United Press International, "Nigeria Oil Production, GDP Increases," 18 November 2013, [http://www.upi.com/Business\\_News/EnergyResources/2013/11/18/Nigeria-oil-production-GDP-increases/UPI-67681384775374/](http://www.upi.com/Business_News/EnergyResources/2013/11/18/Nigeria-oil-production-GDP-increases/UPI-67681384775374/) (accessed 8 March 2014).

<sup>74</sup>BBC News World, "Nigeria Becomes Africa's Biggest Economy," BBC News World, 6 April 2014, <http://www.bbc.com/news/business-26913497> (accessed 8 April 2014).

Ambassador to Nigeria John Campbell indicates in *Nigeria: Dancing on the Brink*, the United States places heavy emphasis on good governance and economic transparency in Nigeria. Campbell asserts that these two objectives are necessary for Nigeria to succeed in the long run. Nigeria's lack of good governance prevents unification of the various ethnicities in the country, while state and local officials dispense revenue with little oversight or accountability.<sup>75</sup>

Effective government institutions and economic openness would certainly improve conditions in Nigeria. Nigerians, however, often view the explicit and implicit conditions of American aid with suspicion. Daniel Wagner, CEO of Risk Solutions, addresses this issue in *China and Nigeria: Neo-Colonialism, South-South Solidarity, Or Both*. He states, "Western powers that claim a desire to help Nigeria develop are often viewed as insincere, with their own aid being viewed as an infringement on Nigeria's sovereignty, since it often comes with strings attached. In this respect, China is seen as non-hypocritical and more respectful of the African peoples' aspirations to manage their own affairs without fear of meddling by a foreign power."<sup>76</sup> Stringent American economic and governance reform requirements in sub-Saharan Africa are also seen by some Africans as hypocritical, as the American government has provided billions of dollars in aid to repressive and/or corrupt regimes in nations such as Saudi Arabia, Egypt, and Pakistan. Further, as Campbell asserts, "Elite Nigerians are conscious of their country's military and political weakness, and they are uneasy about [U.S.] military power and deeply suspicious of [America's] ultimate intentions wherever oil is involved .

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<sup>75</sup>Campbell, 139.

<sup>76</sup>Wagner, *The Huffington Post*.

. . Nigerian elites also commonly regard their country as the West African hegemon and dislike rivals for influence in the region.”<sup>77</sup>

Despite all those objections, however, Nigeria continued to receive significant aid from American sources through the start of the 21<sup>st</sup> century. This aid arrived mostly through USAID, the U.S. Department of Defense, and the Centers for Disease Control. By 2007-2008, the U.S. provided almost half a billion dollars to Nigeria annually.<sup>78</sup> At no time during this period was Nigeria looking to end or severely curtail its relationship with America. A partnership with China, however, provided Nigeria with an opportunity to receive significant amounts of assistance from another source and decrease its reliance on Western aid.

### Trade

China and Nigeria dramatically expanded their economic relationship between 2000 and 2013. From 2000 to 2010 the value of trade between Nigeria and China increased 900 percent, from \$2 billion to \$18 billion.<sup>79</sup> The vast majority of Nigeria’s imports from China during this time period were manufactured goods and crude material such as food and refined fuel. The preponderance of China’s imports from Nigeria was minerals, fuel, or lubricants.<sup>80</sup>

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<sup>77</sup>Campbell, 124.

<sup>78</sup>Ibid., 121.

<sup>79</sup>Wagner, *The Huffington Post*.

<sup>80</sup>Renard, 17.

A rapid expansion of trade would ordinarily suggest mutual benefit for both countries involved. Available data indicates, however, that the trade relationship between Nigeria and China increasingly became one-sided in favor of the Asian nation. According to *China's Trade and FDI in Africa*, in 2008 China achieved a trade surplus of \$10 billion in Africa, with \$62 billion in exports and \$52 billion in imports.<sup>81</sup> Over \$3 billion of that surplus was from Nigeria. As a result, Nigeria ended 2008 as the African country with the second worst trade deficit with China, behind only Egypt.<sup>82</sup>

The trade deficit continued to expand over the next five years. By the first two quarters of 2013, the trade deficit between the two countries had grown to N648.16bn (approximately \$4 billion) according to the Nigerian government's *Foreign Trade Statistics Report*.<sup>83</sup> This contrasts to Nigeria's overall trade surplus, which was over \$15 billion during the same two fiscal quarters.<sup>84</sup> Further, while China was the largest importer of products into Nigeria in the first half of 2013, it was not one of Nigeria's ten largest export markets. N723bn (\$4.5 billion) of Chinese goods and services flowed into Nigeria, while China only imported N75bn (\$470 million).<sup>85</sup>

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<sup>81</sup>Ibid., 16.

<sup>82</sup>Ibid., 18.

<sup>83</sup>Tola Akinmutumi, "Nigeria Records N648.16bn Trade Deficit With China," *National Mirror*, 21 October 2013, <http://nationalmirroronline.net/new/nigeria-records-n648-16bn-trade-deficit-with-china/> (accessed 29 December 2013).

<sup>84</sup>National Bureau of Statistics, *National Trade Statistics, Second Quarter, 2013*, (Abuja, Nigeria: National Bureau of Statistics, 2013), 1-2.

<sup>85</sup>Ibid., 12-13.

The causes for this trade imbalance are multifold. Mineral products, including oil, represent over 80 percent of Nigeria's exports as of 2013, an amount totaling \$16.5 billion.<sup>86</sup> Most of this revenue, however, came from the United States, Brazil, India, and Europe. China, despite its seemingly insatiable demand for energy, was not among Nigeria's top ten markets for crude oil exports.<sup>87</sup> Accordingly, plastics and rubber products, and machinery and appliances were among the top five categories for Nigerian imports worldwide in 2013. China is internationally competitive in those categories, which helped contribute to China becoming Nigeria's leading source of imports.<sup>88</sup> As a result of these two factors, as well as an increase in the purchasing power of the Nigerian consumer due to rise in the overall economy, there is a huge imbalance between the values of respective exports from one country to the other.

While a large trade imbalance with China is not the most desirable scenario for Nigeria, it does not necessarily negate the advantages Nigeria receives from its relationship with the Asian nation. Access to lower cost products for Nigerian consumers along with the investment and employment Chinese companies provide are positive benefits of trade with China. In many respects, this makes Nigeria similar to the United States. The United States constantly runs a large trade deficit with China. Yet it also benefits from the lower consumer costs of Chinese goods as well as the investments Chinese businesses make in the United States. Despite the deficit, the American government is not seriously considering a reduction in trade with China. For similar

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<sup>86</sup>Ibid., 3.

<sup>87</sup>Ibid., 8.

<sup>88</sup>Ibid., 10.

reasons the Nigerian government should not consider that course of action, either, though they certainly could take steps to help increase Nigerian exports to China to reduce the overall deficit.

### Foreign Direct Investment

China invested heavily in Nigeria from 2000 to 2013 through Foreign Direct Investment, or FDI. According to *China Ministry of Commerce* and *World Bank* statistics from 2008 and 2009, respectively, Nigeria received 20.2 percent of all Chinese FDI in Africa from 2003 to 2007, including over \$5 billion in infrastructure projects during that period.<sup>89</sup> Some of the larger infrastructure projects included the construction of a railroad line between Lagos and Kano and a 2,600-megawatt hydroelectric plant on the Mambilla Plateau.<sup>90</sup> While some of these investments were implemented to facilitate Chinese business operations in Nigeria, the completed projects provide Nigeria with much needed infrastructure upgrades that a growing economy and expanding population require.

Similarly, Chinese multinationals made significant investments in the Nigerian energy sector during the first decade to the 21<sup>st</sup> century, despite the fact that China is not yet a large export market for Nigerian crude oil. In 2006, CNOOC (China National Offshore Oil Corporation) invested \$2.3 billion in a large oil concession in Nigeria and committed an additional \$4 billion in Nigerian infrastructure projects, for which they received exploration rights to four additional oil blocks.<sup>91</sup> These investments imply that

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<sup>89</sup>Renard, 19, 21.

<sup>90</sup>Michel, 35, 37.

<sup>91</sup>*Ibid.*, 31.

while most of Nigeria's current crude oil production is contractually obligated to Western nations, the Chinese believe that Nigeria still possesses enough unexploited reserves to warrant significant investment.

### Immigration

While Chinese government-owned or affiliated corporations made some large investments in Nigeria, small to mid-size private Chinese enterprises were a driving force in the African nation. Chinese immigrants to Nigeria founded many of these businesses. For some Chinese whose prospects are not strong in their homeland, Nigeria is an excellent opportunity to become prosperous and ultimately return to China with significant wealth. When discussing Chinese involvement in Nigeria, Michel states in *China Safari*, "Chinese businessmen and entrepreneurs . . . are investing for the long term in private business empires on the African continent . . . Africa is a new frontier and a continent full of promise. They are not afraid to start small—a massage parlor, a restaurant, a little sewing shop, a pharmacy—anything that offers modest but quick returns on investment. A whole family in China will save for years to send one member to Africa, where the demand for services and goods is great and competition is weak."<sup>92</sup> In response, Nigeria generally embraced this entrepreneurial spirit. To attract Chinese manufacturers, the Nigerian government created three free-trade zones where Chinese businesses could take advantage of tax breaks.<sup>93</sup>

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<sup>92</sup>Ibid., 32.

<sup>93</sup>Ibid., 32, 35.

How many Chinese are living in Nigeria? In July 2013, the *Comptroller General of Immigration Service* for Nigeria reported that there were 17,000 Chinese legally resident in Nigeria.<sup>94</sup> While numbers for Chinese illegally in Nigeria were not available, anecdotal evidence suggests that there is a large population of undocumented Chinese living in the African country. As the *Comptroller General* stated, “the greatest challenge faced by the service comes from Chinese citizens who come into (Nigeria) with visiting, tourist or business visas and take up paid employment in the country.”<sup>95</sup> The expansion of Chinese enclaves in Nigeria and the growth of businesses catering to Chinese nationals resident there support the Nigerian comptroller’s contention that a significant number of Chinese beyond the 17,000 legal residents inhabit Nigeria. For example, the *West Africa United Business Weekly*, the first Chinese-language newspaper in Nigeria, has a circulation of 7,000, and in 2006, Lagos became the first destination in Africa serviced by a Chinese airline.<sup>96</sup>

Some Nigerians have objected to Chinese immigration in their country. As Adeola Adeyemo reports in Nigerian publication *Bella Naija*, “The large number of Chinese nationals working in Nigeria has come under criticism more than a few times with many arguing that they are taking away jobs from Nigerians . . . This argument, however, has two sides: While some argue that the jobs are specialized and Nigerians do not possess the required skills to carry them out, others argue that it is the porous

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<sup>94</sup>Obuh, *Vanguard*.

<sup>95</sup>*Ibid.*

<sup>96</sup>Michel, 36-7.

Nigerian immigration system that allows such a large number of Chinese nationals to migrate into the country without proper documentation.”<sup>97</sup>

In summary, many Chinese see Nigeria as an underserved market of 170 million consumers. Richer Chinese immigrate to Nigeria and build large trade or manufacturing companies. Poorer Chinese start small businesses catering to both Nigerians and their fellow expatriates with the hope of eventually expanding their operations and returning to China wealthy. While Nigerians embrace Chinese investment and business creation, they are also concerned about illegal Chinese immigrants displacing Nigerian workers.

#### How China Is Affecting Nigeria’s Economic Performance and Social Stability

This section analyzes the effects that Chinese involvement in Nigeria had on Nigeria’s economic performance and social stability from 2000 to 2013. The section discusses the effects on Nigeria’s GDP growth, the employment prospects and purchasing power of its citizens, as well as the effects of Chinese commerce on the overall Nigerian economy.

#### GDP Growth

As Nigeria expanded its economic relationship with China from 2000 to 2013, the African country remained a rapidly growing but semi-industrialized nation. According to the IMF’s *May 2013 Regional Economic Outlook* for sub-Saharan Africa, Nigeria

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<sup>97</sup>Adeola Adeyemo, “Are The Chinese Taking Away Our Jobs? Nigerian Immigration Service To Repatriate 45 Chinese Nationals,” *Bella Naija*, 23 May 2012, <http://www.bellanaija.com/2012/05/23/are-the-chinese-taking-away-our-jobs-nigerian-immigration-service-to-repatriate-45-chinese-nationals/> (accessed 29 December 2013).

averaged 7.0 percent real GDP growth during the five years from 2004-8. During 2012, the last year for which complete statistics were available, Nigeria's GDP grew 6.3 percent. Accordingly, Nigeria is projected to have 7.0 percent and 7.2 percent growth in 2013 and 2014, respectively.<sup>98</sup> Removing the volatile factor of oil on its economy, Nigeria experienced real non-oil GDP growth of 7.1 percent in 2012, with 7.5 percent and 7.6 percent projected for in 2013 and 2014.<sup>99</sup> Nigeria's growth for 2012 puts it on par with other oil-producing countries in the region and well ahead of the pace of growth for the rest of Africa.

The relative consistency of the overall and non-oil GDP growth from 2004 to 2013 suggests that increased economic involvement with China during that period did not have any material effect on Nigeria's GDP growth. Despite the consistency of growth statistics, however, the possibility still exists that China's presence did in fact affect Nigeria's GDP growth. One potential effect is that Nigeria's GDP expansion remained stable during that time because commerce with China provided buoyancy to what otherwise would have been slowing GDP growth. Conversely, business relations with China could have slowed an economy that should have grown even more rapidly.

The 2009 *United Nations Economic Commission for Africa (UNECA)* report titled *The Impact of Chinese Investment and Trade on Nigeria Economic Growth* addressed these possibilities through an examination of the effects of Chinese foreign direct

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<sup>98</sup>International Monetary Fund, 69.

<sup>99</sup>*Ibid.*, 70.

investment and bilateral trade on Nigeria economic growth.<sup>100</sup> The report concluded that the Nigerian-Chinese relationship did not significantly affect Nigerian economic growth during that period. UNECA did add, however, that the bilateral relationship could improve Nigeria's economy in the long term if certain conditions existed. For this to happen, the report suggested that Nigeria sets policies with regard to Chinese FDI inflows and its trade relationship with China that emphasize active acquisition of advance technology and an open trade regime to provide the maximum benefit to GDP and export growth.<sup>101</sup>

Overall, the IMF and UNECA reports indicate that Nigerian commerce with China is not having a material effect on the former's GDP growth. UNECA's assertion that a relationship with China could increase Nigeria's GDP growth in the future if certain conditions are achieved certainly has merit. The challenge for Nigeria going forward, however, is to achieve those conditions while dealing with the formidable power that China has become.

### Domestic Employment

Expanded trade with China has created a certain amount of uncertainty among the Nigerian population. As Mary-Francoise Renard states in *China's Trade and FDI in Africa*: "Trade growth can be associated with increasing inequality . . . the same

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<sup>100</sup>The methodology that the UNECA report used in its analysis is discussed in chapter 3.

<sup>101</sup>United Nations Economic Commission for Africa, "The Impact of Chinese Investment and Trade on Nigeria Economic Growth," *African Trade Policy Centre*, no. 77 (2009), <http://www.uneca.org/sites/default/files/publications/77.pdf> (accessed 12 October 2013).

distributional effects can be seen within a country, where workers and firms in the oil and mineral sectors see increasing incomes while agriculture and manufacture sectors see reductions. Such change in income distribution can increase the risk of social unrest, particularly where oil or minerals production is concentrated in particular regions.”<sup>102</sup>

Nigeria fits Renard’s model. The African nation has a concentration of mineral resources in the mostly Christian southern areas. While oil production expanded between 2000 and 2013, the number of jobs in industries such as textiles contracted. Despite his overall belief that the Nigerian relationship with China is beneficial, Richard Wagner states, “Nigeria’s trade unions have similarly complained that the ramp up in Chinese imports have eliminated more than 250,000 manufacturing jobs, primarily in the textile sector.”<sup>103</sup> Many of these job losses occurred in the northern, Muslim areas of Nigeria.

In *Nigeria: Dancing on the Brink*, former U.S. Ambassador to Nigeria John Campbell concurs with Wagner’s assertion. He asserts, “The Chinese are not popular in Nigeria. They are commonly regarded as racists, and Nigerians have accused them of providing few jobs in the enterprises they have established. They are popularly blamed for the destruction of the textile industry in the North because they flooded the local market with cheap, allegedly smuggled imports.”<sup>104</sup> Even for those Nigerians who find employment with Chinese-owned firms, the experience can be undesirable. As Wagner

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<sup>102</sup>Renard, 31.

<sup>103</sup>Wagner, *The Huffington Post*.

<sup>104</sup>Campbell, 133.

adds: “A number of Nigerians have also voiced objections to the “slave-like” labor conditions in Chinese operated factories across Nigeria.”<sup>105</sup>

The angst within Nigeria over employment has statistical support. The Nigerian government’s National Population Commission reported in 2013 that the rate of unemployment in Nigeria increased from 21.1 percent to 23.9 percent from 2010 to 2011.<sup>106</sup> How much, if any, of this rise in unemployment is due to Chinese influence is an open question. While certain industries, such as textiles, have experienced a net loss of jobs due in part to Chinese competition, the rise in unemployment is mostly attributable to the continuing rise in Nigeria’s population, which increased 3.2 percent, or over 5 million people, in 2011. The size of the Nigerian labor force increased by 2.1 million people in 2011; the number of unemployed Nigerians rose by the same 2.1 million.<sup>107</sup> While Chinese presence in the Nigerian economy isn’t reducing unemployment, it is not likely increasing unemployment by a significant margin, either.

Nigeria’s domestic economy continued to expand throughout the 21<sup>st</sup> century. The IMF reported that Nigeria’s exports of goods and services as a percentage of GDP has declined from 44 percent in 2004 to 37.5 percent in 2013.<sup>108</sup> This decline indicates that Nigeria increased its internal consumption during that period. Rising domestic spending allows Nigeria to rely less on export growth to drive economic expansion, mitigating the

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<sup>105</sup>Wagner, *The Huffington Post*.

<sup>106</sup>Okechukwu Nnodim, “Nigeria’s Unemployment Rate Rises To 23.9 Percent - NPC,” *Punch*, 21 October 2013, <http://www.punchng.com/business/business-economy/nigerias-unemployment-rate-rises-to-23-9-npc/> (accessed 10 April 2014).

<sup>107</sup>*Ibid.*

<sup>108</sup>International Monetary Fund, 84.

potential negative effects of volatile commodity prices. Consumer spending over the 20 fiscal quarters (5 fiscal years) covering 2Q FY2007 to 1Q FY2013 was, however, erratic. A relatively steady, over 50 percent rise in consumer spending from 2Q FY2008 through 2Q FY2011 (when it peaked at N7,423 billion) was followed by a significant drop over the next six fiscal quarters, including a low of N2,765 in 4Q 2011. Consumer spending subsequently rebounded sharply in 1Q FY2013, rising to N6,809 billion, a 33 percent increase from the previous quarter.<sup>109</sup>

The volatile gyrations of consumer spending in Nigeria make it difficult to establish consumer spending patterns for Nigeria overall, much less ascertain any effect Chinese influence might be having on consumer purchasing power. But the data referenced above does imply that the expansion of China's economic footprint in Nigeria did not diminish the overall purchasing power of the Nigerian people.

#### Overall Effects on Nigerian Economy

Numerous publications discuss whether Nigeria is benefiting from its economic relationship with China. Most of these sources believe that Nigeria does derive at least some economic gain, but add that Nigeria needs to take specific steps to ensure that it maximizes the positive effects. The *Council on Foreign Relations* cites *World Bank* economist Harry G. Bradman, who states that Chinese companies “can help African countries tap into global value chains, giving them a ‘chance to increase the volume, diversity and worth of their exports.’ But African governments must enact a series of

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<sup>109</sup>Trading Economics, “Nigeria Consumer Spending,” <http://www.tradingeconomics.com/nigeria/consumer-spending> (accessed 12 April 2014).

reforms – of basic market institutions, investment regulations, infrastructure, and tariffs – to realize these benefits.”<sup>110</sup>

Sanusha Naidu in *China in Africa* posits that Nigeria and China have the potential to establish a mutually beneficial relationship. He asserts that while China does have resource acquisition as a priority and trade balances are more advantageous to China, their efforts do not amount to neo-colonialism. Naidu argues that accusations of neo-colonialism against China fail to take into account the investments China has made in infrastructure and other projects within Nigeria. He does add that for the relationship to continue to provide benefit to both parties, China must balance its promises to Africa against domestic needs and African leaders must develop “an African consensus regarding the relationship with China, ensuring the rule of law and an effective monitoring and regulatory framework are in place to oversee that investment practices are conducted appropriately and legally, and most of all that their citizens are the main beneficiaries of this win-win partnership, not only state and economic elites.”<sup>111</sup>

From a Nigerian perspective, Oyejide Ademola argues in the *European Journal of Development Research* that there are “both trade-related gains and losses arising from China-Africa trade relations.”<sup>112</sup> Ademola offers that trade imbalances do exist between Nigeria, as per the *International Trade Centre* database from 2007 China provided 13.44 percent of Nigeria’s imports but only purchased 00.79 percent of Nigeria’s exports.<sup>113</sup>

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<sup>110</sup>Hanson, Council on Foreign Relations.

<sup>111</sup>Naidu, 45.

<sup>112</sup>Ademola, 485.

<sup>113</sup>*Ibid.*, 494.

But Ademola also asserts that if China lives up to promises it made to Africa in 2006, then there are export related gains available to Nigeria in crude-oil and lumber, while there are imported related gains in automobile parts and textiles.<sup>114</sup> He adds that while Nigeria has prohibited the import on certain textile and clothing products, “in spite of these short-term and restrictive trade policy measures, African countries cannot successfully resist the displacement of their domestic production in their own or foreign markets unless concrete steps are taken to significantly improve the competitiveness of their economies.”<sup>115</sup>

Princeton Lyman, CFR’s adjunct senior fellow for African studies, says China’s interest in Africa has both positive and negative effects. “It’s good for the continent because it brings in a new actor who’s willing to invest, but it’s bad for Africa because it turns countries away from the hard work of political and economic reform.”<sup>116</sup> Country Risk Solutions CEO Daniel Wagner also suggests that Chinese presence in Nigeria produced mixed results. On one hand, many Nigerians have voiced objections to working conditions in Chinese factories in Nigeria and Chinese imports have potentially eliminated hundreds of thousands of textile jobs in Nigeria. But Wagner also adds, “most Nigerians recognize that China’s growing presence is likely more beneficial than harmful.”<sup>117</sup>

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<sup>114</sup>Ibid., 498, 502.

<sup>115</sup>Ibid., 502.

<sup>116</sup>Hanson, Council on Foreign Relations.

<sup>117</sup>Wagner, *The Huffington Post*.

Overall, a combination of statistical data and independent analysis of the Chinese-Nigerian economic relationship suggests that the vast increase in activity between the two countries has neither particularly hurt nor helped the African country's GDP growth, unemployment rate, or consumer spending. The relatively large amount of Chinese direct investment in infrastructure projects, however, has certainly helped Nigeria gain much-needed infrastructure improvements. Nigeria can also make changes to increase benefits from its trade relationship with China in the future. For this to happen, Nigeria must implement trade policies that allow it to maximize the value of its exports while importing technology and building infrastructure that will permit the nation to increase its regional and worldwide economic competitiveness.

#### Political Stability

The preponderance of major indices rating governance and political instability suggest that Nigeria remained challenged in both areas from 2000 to 2013. The *World Bank's Worldwide Governance Indicators (WGI) 2013 Update* analyzed the governance indicators of countries around the world using six broad aspects of governance on a scale of 2.5 (strong) to -2.5 (weak). When calculating average ratings from the ten reports for Nigeria from the periods of 2000-2005 and 2009-2012, the WGI update indicated that Nigeria improved in Regulatory Quality, Rule of Law, and Control of Corruption, while it lost ground in the dimensions of Government Effectiveness, Voice and Accountability, and Political Stability and Absence of Violence/Terrorism.<sup>118</sup>

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<sup>118</sup>The World Bank, "World Governance Indicators, 2013 Update," 20 December 2013, <http://info.worldbank.org/governance/wgi/index.aspx#home> (accessed 21 December 2013).

Accordingly, in 2010 *The Economist* published its *Political Instability Index*, which displayed the level of threat social instability posed to various governments and compared their 2010 ratings to the scores they received in 2007. The report derived the scores for each nation based on measures of economic distress and underlying vulnerability to unrest. The higher the score, the more distressed or vulnerable the nation was. According to the indices, Nigeria ranked forty-fourth out of 165 countries with regard to potential for instability. Nigeria received a total score of 7.0, which was the same rating it had in 2007. While Nigeria had a relatively good score of 6.0 for Economic Distress, it received a 7.9 for Underlying Vulnerability, which ranked it tied for seventh worst among the countries analyzed.<sup>119</sup>

Similarly, in 2012, the *Maplecroft Political Risk (Dynamic) Index* assessed the risks that countries possessed that may cause sudden or rapid change in their internal stability “due to direct government action or due to action by sub-state or other politically-motivated groups.”<sup>120</sup> The index analyzed five categories of risk indices, including Governance Framework, Political Violence, Business and Macroeconomics, Forced Regime Change Risk and Resource Nationalism. Based on these factors, Nigeria was ranked as the eleventh most at risk country in 2012, with a rating of 2.82, a slight increase from the 2.73 it received in 2011.<sup>121</sup> With regard to Nigeria, comments included with the map states, “Boko Haram, an Islamist terrorist organization, has conducted

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<sup>119</sup>The Economist, “Political Instability Index,” 20 December 2010, [https://viewswire.eiu.com/site\\_info.asp?info\\_name=social\\_unrest\\_table&page=roads&rf=0](https://viewswire.eiu.com/site_info.asp?info_name=social_unrest_table&page=roads&rf=0) (accessed December 27, 2013).

<sup>120</sup>Maplecroft, “Political Risk 2012.”

<sup>121</sup>Ibid.

frequent attacks since 2009. The intensity of these attacks has increased significantly during early 2012 and threatens the stability of large areas of northern and central Nigeria. The major challenge for President Goodluck Jonathan in 2012 will be to achieve economic reform while maintaining political stability.”<sup>122</sup>

None of the indices suggest a connection between Chinese involvement in Nigeria and the increase in insurgent activity or the overall instability and lack of good governance in Nigeria. The conflict between insurgent groups such as Boko Haram and the Nigerian government is generally characterized as a struggle between Islamists and the Christian population. The regression of the Nigerian textile industry in the north is arguably a partial result of increased Chinese competition in that industry. Chinese residing in Nigeria, however, are not currently direct targets of Boko Haram or any other criminal organization, though a handful of Chinese have been kidnapped for ransom money in the oil-rich Niger Delta. Even if one accepts the argument that Chinese presence in Nigeria is contributing to economic inequality, that theme has not resonated with Boko Haram or any other insurgent group. Most insurgents consistently attack Christian Nigerians in the northern and central regions of the country; they are not targeting Chinese nationals. As a result, there is no substantive connection between the Chinese interaction with Nigeria and the ongoing instability in the country.

#### How China’s Involvement in Nigeria Compares to Other African Countries

This section compares China’s involvement in Nigeria with its interactions with other African countries in general, and with sub-Saharan nations Ghana and Uganda in

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<sup>122</sup>Ibid.

particular. The section compares the areas of motivations, foreign direct investment, trade, and immigration.

### Motivations

China's motivations behind its relations with Africa overall from 2000 to 2013 were similar to its interests in Nigeria: access to natural resources and new markets for its products and services. China's growing internal demand for energy led to aggressive efforts to gain access to African commodities, especially oil. Between 1995 and 2005, crude oil increased from under 40 percent to over 80 percent of African exports to China.<sup>123</sup> Chinese appetite for African crude is expected to continue to rise over the next few decades. According to the *Council on Foreign Relations*, "the International Energy Agency projects China's net oil imports will jump to 13.1 million barrels per day by 2030 from 3.5 million barrels per day in 2006."<sup>124</sup> China is not merely purchasing millions of barrels of oil each day; it is also pursuing proven reserves for its companies to exploit. The *Centre for Chinese Studies* reported that the number of oil operations by Chinese companies (including CNOOC, CNPC, Petrochina, and Sinopec) increased from 7 to 51 between 1995 and 2005.<sup>125</sup>

As with Nigeria, China's interests in Africa are mostly economic. The Chinese government has rarely displayed any overt effort to pressure African countries to "improve" their governance in exchange for economic support. In addition, the Chinese

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<sup>123</sup>Naidu, 46.

<sup>124</sup>Hanson, *Council on Foreign Relations*.

<sup>125</sup>Naidu, 46.

often include robust aid packages to complement their economic investment in African nations. In 2005, David Zweig and Bi Jianhai wrote in *Foreign Affairs* that China has merged its foreign policy and domestic development strategies. They encourage state controlled companies to seek out exploration and supply contracts with countries that produce oil, gas, and other minerals. At the same time, the Chinese use diplomatic channels to negotiate trade deals, debt forgiveness, and aid packages to facilitate agreements between those countries and the Chinese enterprises.<sup>126</sup>

Accordingly, other African countries possess similar motivations as Nigeria to conduct business with China. They find many Chinese principles superior to those of the West, including equality among partners, respect of African sovereignty, interest-free grants and loans, beneficiary capacity building, and the ability of the Chinese to deliver on promised obligations.<sup>127</sup> The ability of China to deliver financial support and capacity assistance on terms beneficial to the balance sheets of African governments makes the Chinese an attractive partner to many African nations.

African leaders also respect the fact that the Chinese generally avoid interfering in their internal politics. According to Stephanie Hanson in *China, Africa, and Oil*, “The Chinese approach to foreign relations is officially termed ‘noninterference in domestic affairs’. Chinese leaders say human rights are relative, and each country should be allowed their own definition of them and timetable for reaching them . . . unlike the United States, China does not mix business with politics.”<sup>128</sup> CFR’s *Economy* adds that

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<sup>126</sup>Hanson, *Council on Foreign Relations*.

<sup>127</sup>Renard, 8.

<sup>128</sup>Hanson, *Council on Foreign Relations*.

China has argued that attempts by foreign nations to discuss democracy and human rights violate the rights of a sovereign country.”<sup>129</sup> They typically only attempt to influence an African country’s internal politics when the Chinese believe a specific policy threatens their economic interests. An example of this is when the Chinese decided not to block UN Security Council resolutions authorizing peacekeepers in Darfur. In that case, continued violence in Sudan would have threatened China’s access to oil resources in that country.<sup>130</sup> When compared to aid and investment requirements from Western governments, who often demand better governance and more economic transparency, the Chinese “hands-off” approach is very appealing to many African nations, especially those for whom good governance and corruption are ongoing challenges.

#### Foreign Direct Investment

As with Nigeria, China invested heavily in African countries with high commodity reserves. According to the *European Journal of Development Research*, “Among the major African countries in which China has committed funds for infrastructure development are Nigeria, Angola, Ethiopia and Sudan. These countries are the major suppliers of commodities required by China.”<sup>131</sup>

The *Heritage Foundation China Global Investment Tracker* indicates that Nigeria has received far more net investment from China than any other African country. As of 2012, Nigeria had received a net total of \$15.42 billion of Chinese FDI, more than \$6

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<sup>129</sup>Ibid.

<sup>130</sup>Ibid.

<sup>131</sup>Amedola, 500.

billion greater than second-ranked Algeria, and 2.5 times more than Democratic Republic of Congo or Niger.<sup>132</sup> The *China Ministry of Commerce* reported similar statistics in 2008, indicating that Nigeria had received 20.2 percent of China's FDI into Africa between 2003 and 2007. That percentage is the highest on the continent, easily outpacing Chinese FDI in every other African country except for South Africa, which was a close second at 19.8 percent.<sup>133</sup>

Accordingly, Chinese financial commitments towards infrastructure projects in Nigeria are much greater than the rest of Africa. According to *The World Bank*, between 2001 and 2007, Nigeria received over \$5 billion in commitments from China, 34 percent of the Asian country's infrastructure financing. The next largest recipients of infrastructure commitments after Nigeria were Angola, Ethiopia, and Sudan, which received approximately \$3.5 million, \$1.5 million, and \$1.25 million, respectively. Chinese investment of over \$3 billion in Nigerian transportation-related infrastructure during that period dwarfs any other African country for that category.<sup>134</sup>

Most of China's FDI investments in Africa are aimed at oil and mineral producing countries. The top eight African countries for Chinese FDI – Nigeria, South Africa, Sudan, Algeria, Zambia, Niger, Democratic Republic of Congo, and Angola, respectively – all have significant oil and natural gas and/or mineral reserves.<sup>135</sup> As a result, while

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<sup>132</sup>Gabriel, Omoh, "How Real Are Chinese Investments In Nigeria?," *Vanguard News*, 8 April 2013, <http://www.vanguardngr.com/2013/04/how-real-are-chinese-investments-in-nigeria/> (accessed 20 December 2013).

<sup>133</sup>Renard, 19.

<sup>134</sup>*Ibid.*, 21.

<sup>135</sup>*Ibid.*

Nigeria did receive a large percentage of Chinese FDI investment in Africa since 2000, China's interest in investing in Nigeria follows its pattern of infrastructure development in oil and mineral producing African nations.

### Trade

Chinese trade with Africa is concentrated on a few countries. 60 percent of China's African exports in 2007 were with six countries: South Africa (21 percent), Egypt (12 percent), Nigeria (10 percent), Algeria (7 percent), Morocco (6 percent), and Benin (5 percent). Similarly, 70 percent of Chinese imports came from Angola (34 percent), South Africa (20 percent), Sudan (11 percent), and the Republic of Congo (8 percent).<sup>136</sup> Nigeria represented less than 1 percent of China's imports from Africa during 2007.

As the level of Chinese investment in Nigeria is higher than any other African nation, the large trade imbalance between Nigeria and China is also not typical for the continent. While China in 2008 had an overall surplus from its trade with Africa, oil and gas exporting countries typically had a trade surplus with China while those countries with trade deficits were mostly non-oil and gas producing countries. Oil producers Libya, Gabon, Equatorial Guinea, Democratic Republic of Congo, Sudan and Angola all had trade surpluses with China. Nigeria and Algeria were the only two oil and gas producing countries to have trade deficits with China, and Nigeria's deficit was especially acute.<sup>137</sup>

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<sup>136</sup>Ibid., 14-15.

<sup>137</sup>Ibid., 16, 18.

Why is Nigeria an outlier for oil producing nations with regard to its trade deficit with China? The major customers for Nigeria's oil production provide much of the answer. While countries like Angola, Sudan, and Gabon sell large percentages of their crude oil to China, the vast majority of Nigeria's current domestic production is contracted to Western petroleum corporations. As a result, Nigeria maintains an overall trade surplus due in large part to the sale of crude oil with the West. The fact that China buys relatively little crude from Nigeria, however, means that Nigeria lacks a lucrative export asset to offset the large amount of consumer goods and other products that Nigeria imports from its Asian partner. Because of this, Nigeria consistently experiences a trade deficit with China while other oil producing nations maintain surpluses.

China's share of Nigerian imports is also moderately high compared to most other African countries. In 2007, China represented 13.4 percent of Nigeria's imports. Only Sudan, Ethiopia, Madagascar, Guinea, and Chad received a higher percentage of their imports from China.<sup>138</sup> All of those countries have much smaller and less diverse economies than Nigeria. This variance between Nigeria and the rest of Africa is especially acute with regard to the import of miscellaneous manufactured products. Nigeria imported 30.6 percent of those products from China in 2007, which ranked Nigeria second on the continent behind only Cameroon (35.5 percent).<sup>139</sup>

In summary, Nigeria's trade relationship with China is distinct from most other African countries. The overall trade volume with China is consistent with trade patterns around the continent given the African country's large population. Nigeria's trade deficit

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<sup>138</sup> Ademola, 10.

<sup>139</sup> Ibid., 11.

with China, however, is unusual for an oil and gas-producing nation and is one of the highest deficits on the continent. The percentage of Nigeria's imported manufactured products that come from China is also atypically high and ranks second on the African continent.

### Immigration

Chinese immigration patterns in other sub-Saharan African countries are similar to those seen in Nigeria. Chinese generally immigrate to African nations with plans to make money and then return to their homeland. Chinese expatriates also rarely assimilate into African culture. Instead, the Chinese establish homogeneous enclaves and patronize the local concerns of their fellow Chinese nationals. Chinese owned businesses also regularly import Chinese workers for many of their positions. *The China Monitor* states that many new Chinese in Africa arrive to execute projects for Chinese state-owned enterprises, live in self-contained camps, and then return home. The publication adds, "Even the entrepreneurs who come to Africa by choice have plans to return to China. African economies are seen as an opportunity to 'get rich quick' as they are free from the intense competition experienced in China. The goal, however, is to earn enough money to live comfortably on their return home and to put their 'little emperor' through an English-speaking university."<sup>140</sup>

Further, as in Nigeria, some Africans have accused the Chinese of undermining local industries, including textiles. These conditions have led to protests against the Chinese and their business practices in many African countries. An examination of

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<sup>140</sup>Centre for Chinese Studies, 4-5.

Ghana and Uganda, two prominent West African countries, display similarities with Nigeria. Discussing Chinese immigration to Ghana in 2008, the *China Monitor* describes an environment where Chinese immigrants begin as workers at Chinese-owned factories, then become traders importing Chinese products. The publication states, “While there are no official figures of the current Chinese population in Ghana, some Chinese estimate the current population to be several hundred to over a thousand.”<sup>141</sup> The *China Monitor* also adds, “Headline news from various newspapers (in Ghana) from 2005 to 2006 reported on the poor health of the textile industry and the illegal import of imitation Chinese textiles.”<sup>142</sup> Ghana’s domestic textile industry suffered a similar fate to Nigeria’s as a result of Chinese competition.

Accordingly, in 2013 there were over 7,000 Chinese living in Uganda operating 256 businesses in the country.<sup>143</sup> As with Nigeria, increased Chinese presence has created intermittent social unrest in that country. In 2011, Ugandan traders engaged in a two-day work stoppage in the capital of Kampala to protest against “the increased competition from Chinese and Indian businessmen who have flooded the market with cheap goods.”<sup>144</sup>

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<sup>141</sup>Centre for Chinese Studies, 10.

<sup>142</sup>Ibid, 11.

<sup>143</sup>Patrick Jaramogi, “Uganda: Chinese Investments Now At Sh1.5 Trillion,” *AllAfrica*, 18 February 2013, <http://allafrica.com/stories/201302190354.html> (accessed 31 December 2013).

<sup>144</sup>Palash Ghosh, “Ugandan Traders Strike To Protest High Prices, Influx Of Asians,” *International Business Times*, 8 April 2011, <http://www.ibtimes.com/ugandan-traders-strike-protest-high-prices-influx-asians-296605> (accessed 31 December 2013).

The Chinese immigration patterns in Ghana and Uganda support the model for Nigeria. Chinese workers immigrate to certain African countries in the thousands. Upon arrival in Africa, they either start their own businesses or trading companies, or find employment with other Chinese operations. The Chinese establish their own areas of residence and don't assimilate with the local population. Conflicts arise when African workers are displaced as local industries experience difficulties competing with Chinese products.

### Conclusion

This chapter analyzed the relationship between China and Nigeria with regard to the primary research question: "How is China's expansion into western Africa affecting Nigeria?" The chapter discussed the ways in which China is influencing Nigeria through economic investment and the immigration of Chinese nationals, how Chinese involvement is affecting Nigeria's economy and social stability, and how Chinese investment and immigration in Nigeria compares to other countries in Western Africa. Chapter 5 will discuss conclusions and recommendations based on the research and analysis conducted during this study.

## CHAPTER 5

### CONCLUSIONS AND OBSERVATIONS

#### Conclusions

The motivations behind China's bilateral relationship with Nigeria from 2000 to 2013 are similar to China's expansion into other sub-Saharan African nations. China views Nigeria as a source for crude oil, natural gas, minerals, and hardwoods. The Chinese are also attracted to the 170 million potential consumers for their products and services. Further, the combination of economic opportunities and lack of immigration enforcement makes Nigeria a compelling destination for Chinese nationals who have few prospects in their home country.

Nigeria, on the other hand, has a rapidly expanding economy but still suffers the maladies of a third world nation. Nigeria views their relationship with China as a partial solution to its lagging industrial capacity, underdeveloped infrastructure, and insufficient capital investment. From 2000 to 2013, the Chinese government provided Nigeria with robust aid and development packages, including billions of dollars for infrastructure projects. Unlike most Western sources of aid, China did not require nor pressure Nigeria to implement good governance or economic policy reforms in exchange for assistance. At the same time, Chinese entrepreneurs and corporations invested in Nigeria and developed businesses in the African country. With more Chinese-made products available in Nigeria, consumers have more options to purchase products that are less expensive alternatives than those available from domestic or Western sources. All these combine to make a relationship with China attractive to Nigeria.

Nigeria consistently suffered large and growing trade deficits with China from 2000 to 2013, which were unusual for an oil producing country in Africa. These trade imbalances were due in large part to Nigeria's commodities revenues deriving mostly from the United States, Brazil, India, and Europe; as of 2013, China remained a relatively small buyer of Nigerian oil. In contrast, Nigeria purchased large amounts of plastics, rubber products, machinery and appliances worldwide in 2013, which China exports at generally competitive prices. Those two factors explain the large trade imbalance between the two countries. While the high trade imbalance with China is a concern, Nigeria still receives important advantages from its trade relationship with the Asian nation. Access to lower cost products for Nigerian consumers along with the investment and employment Chinese companies provide are significant benefits that outweigh the negatives of large trade deficits.

Thousands of Chinese, possibly tens of thousands, immigrated to Nigeria from 2000 to 2013. Many Chinese see Nigeria as a large, underserved market of consumers with little domestic competition. Richer Chinese develop trade or manufacturing companies in Nigeria. Poorer Chinese start small businesses such as restaurants or massage parlors and expand when the opportunity arrives. Most Chinese who immigrate to China do not assimilate into Nigerian culture nor plan to live in Nigerian permanently. Instead, they intend to accumulate wealth and then return to China. The Nigerian government generally encourages Chinese investment and business creation, but Nigerians are also concerned about illegal Chinese immigrants displacing domestic workers.

Statistical data and independent analysis of Nigeria's interactions with China suggests that Nigeria benefitted overall from the relationship. Despite suffering high trade deficits with China, Nigeria did receive necessary infrastructure improvements and capital investment from their Asian partner. Chinese economic involvement did not appear to slow Nigeria's GDP growth, increase the unemployment rate or dampen consumer spending as of 2013. Further, none of the indices or publications researched during this study suggests a connection between Chinese involvement in Nigeria and the increase in insurgent activity or the overall instability and lack of good governance in Nigeria. General agreement exists that Nigeria can increase its GDP growth in the future as a result of its economic activity if certain conditions are achieved.

As with Nigeria, China's interests in other countries in sub-Saharan Africa are mostly economic. The Chinese government rarely displays any overt effort to pressure African countries to "improve" their governance in exchange for economic support. In addition, the Chinese often include robust aid packages to complement their economic investment in African nations. The Chinese government encourages state controlled companies to seek out exploration and supply contracts with countries that produce oil, gas, and other minerals. At the same time, Beijing's foreign policy apparatus uses diplomacy, trade deals, debt forgiveness, and aid packages to facilitate economic agreements between those countries and China.

Accordingly, other African countries possess similar motivations as Nigeria for conducting business with China. They find many Chinese principles superior to those of the West, including equality among partners, respect of African sovereignty, interest-free grants and loans, beneficiary capacity building, and the ability of the Chinese to deliver

on promised obligations. The ability of China to deliver financial support and capacity assistance on terms beneficial to the balance sheets of African governments makes China an attractive partner to many African nations.

China's trade and FDI in Africa are aimed at oil and mineral producing countries. Chinese trade with Africa is concentrated on a few countries. 60 percent of China's African exports in 2007 were with six countries, led by Nigeria. Accordingly, 70 percent of Chinese imports came from only four countries, all with significant energy or mineral resources. Nigeria represented less than one percent of China's imports from Africa during 2007. The top eight African countries for Chinese FDI, including Nigeria, all have significant oil and natural gas and/or mineral reserves. As a result, while Nigeria did receive a large percentage of Chinese FDI investment in Africa since 2000, China's interest in investing in Nigeria follows its pattern of infrastructure development in oil and mineral producing African nations.

As the level of Chinese investment in Nigeria is higher than any other African nation, the large trade imbalance between Nigeria and China also is not typical for the continent. While China in 2008 had an overall surplus from its trade with Africa, oil and gas exporting countries typically had a trade surplus with China while those countries with trade deficits did not have significant oil and gas reserves. Nigeria and Algeria were the only two oil and gas producing countries to have trade deficits with China, and Nigeria's deficit was especially acute. The fact that China buys relatively little crude from Nigeria means that Nigeria lacks a lucrative export asset to offset the large amount of consumer goods and other products that Nigeria imports from its Asian partner.

Because of this, Nigeria consistently experiences a trade deficit with China while other oil producing nations maintain surpluses.

Chinese immigration in Ghana and Uganda shows similar patterns to Nigeria. Chinese workers immigrate to certain African countries in the thousands. Upon arrival in Africa, they either start their own businesses or trading companies, or find employment with other Chinese operations. The Chinese establish their own areas of residence and don't assimilate with the local population. African workers are often displaced as local industries experience difficulties competing with Chinese products, resulting in some protests and anti-Chinese sentiment.

### Observations

Based on the analysis associated with this research and in conjunction with the major conclusions, developing nations partnering with China can apply the following model to Chinese interaction in their respective countries:

China enters into economic partnerships with other nations in order to secure access to resources, mostly crude oil, natural gas, hardwoods, and minerals such as iron, copper, and coal. States with an abundance of these resources will attract significant interest from China and will be in the best position to negotiate favorable trade pacts with the Asian power. In addition to natural resources, Chinese multinationals want export markets for their goods and services, especially transportation equipment, machinery, electrical goods, textiles, and plastics. Accordingly, China aggressively targets the consumers of virtually every nation around the globe in order to maintain the seven to eight percent annual GDP growth to which they have become accustomed.

China executes a three-pronged strategy to gain penetration with each partner nation in the developing world. Their first line of effort is for the Chinese government to establish relations with a target country's government. Beijing's foreign policy machine offers trade deals, infrastructure investment, debt forgiveness, and interest-free grants and loans to facilitate economic agreements. China will offer the most aid and FDI to nations with significant energy and mineral resources. The Chinese provide these packages without any explicit or implicit requirements for political or economic reforms from their counterparts. They will respect the partner nation's sovereignty and generally deliver on promised obligations. China will, however, require their partners to facilitate a favorable operating environment for Chinese businesses and to avoid onerous restrictions on bilateral trade.

Concurrent to its diplomatic strategy, China expands its economic footprint within a country. The Chinese government encourages state controlled companies and private Chinese corporations to seek out exploration and supply contracts with the partner nation, focusing on oil, gas, and other minerals. Chinese trading companies will establish footholds and facilitate the sales of Chinese products to local consumers. Entrepreneurs and Chinese corporations will develop manufacturing, mining, and construction operations within the partnered nation. Many of these companies will employ a significant number of Chinese nationals, both legal and undocumented. Smaller Chinese businesses will also proliferate, providing services to both Chinese nationals and the native population. Regardless of size, Chinese companies typically offer goods of marginal quality at very competitive prices, which places significant pressure on local businesses in vulnerable industries such as textiles and manufactured products. Conflicts

sometimes arise when local businesses are forced to layoff workers as a result of increased Chinese competition.

An influx of immigrants accompanies Chinese economic expansion in a foreign country. Chinese expatriates will arrive with the permission of the partner government to conduct trade, establish businesses, and work for Chinese employers. Chinese unable to acquire the necessary documentation for long term residence will either overstay their tourist visas or illegally enter into the country. These undocumented immigrants will open small businesses or work for Chinese-owned employers. They will often conceal the income they earn from local and national tax collection agencies. This issue will become especially acute in nations with inadequate border security, immigration enforcement, or employment verification systems.

Chinese immigrants will follow specific patterns while resident in a developing nation. Chinese immigrants do not assimilate into local culture nor plan to permanently reside within their adopted country. Most Chinese instead want to ultimately return to their homeland, but only after they've acquired an acceptable level of wealth. The Chinese establish their own areas of residence and don't assimilate with the local population. Affluent Chinese develop large-scale industrial operations or trading concerns. Poorer Chinese use their scarce resources to establish small businesses and expand when the opportunity arrives.

This model of Chinese economic patterns with foreign partners has significant potential implications for global commerce and American national security. The aggressive efforts of China to access the world's natural resources could have a negative impact on the world economy. If the Chinese ultimately dominate the extraction and

consumption of vital energy and mineral resources, the corresponding rise in prices for those resources could drag down economic growth in the United States and around the world. Further, China has become one of the most polluted countries on Earth. As China exports its lax environmental standards to developing nations, the resulting pollution and deforestation could exacerbate temperature increases and other environmental threats to global commerce.

China's rapid expansion into the developing world could also directly threaten American interests. As the economies and governments of developing nations become more dependent on China, the Chinese will be able to use their diplomatic and monetary power to influence the foreign policy of those nations. Much as they have used political and economic capital to keep some developing nations from dealing with Taiwan, China could ultimately pressure nations to close off markets to American companies or refuse American diplomatic overtures. Further, China's "hands-off" approach to the internal affairs of partner governments will likely degrade American efforts to use aid packages as a "carrot" to encourage good governance and economic reforms in the developing world. Ultimately, decreased American influence in Asian and African nations could reduce American access to export markets and diminish some nations' willingness to partner with the United States in narcotics and counterterrorism operations.

### Closing

Chapter 5 discussed conclusions and recommendations based on the research and analysis conducted during this study. The conclusions related to the primary research question of this thesis, "How is China's expansion into western Africa affecting Nigeria?" The conclusions also covered the three secondary research questions explored

in this study. Based on analysis of the provided data, the chapter also offered observations that describe a model for Chinese economic patterns in developing nations and considers the potential implications of that model for the United States and the world.

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